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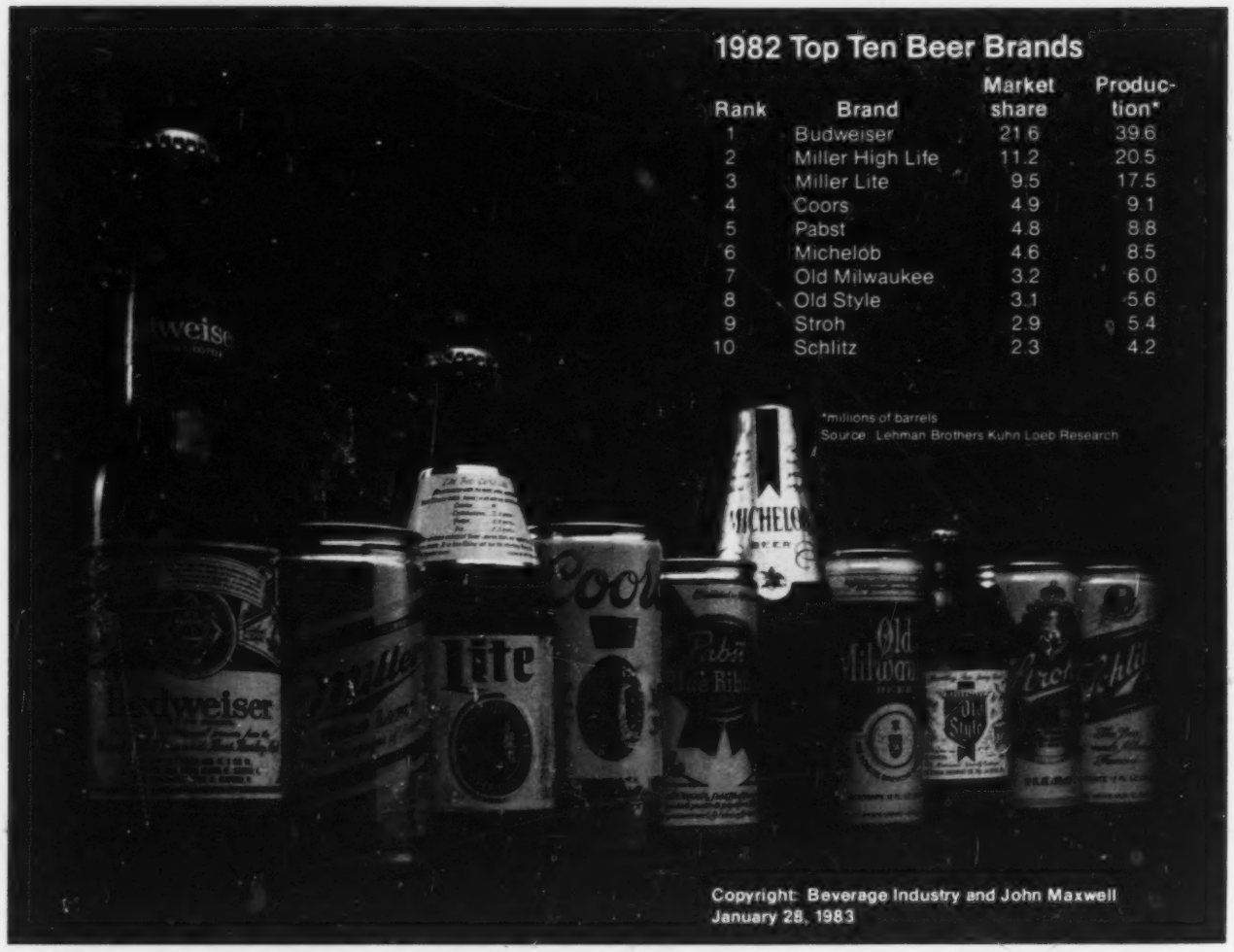
SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

JANUARY 28, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION



NSDA: 'exempt industry from sodium labels'

WASHINGTON, DC—If the Food and Drug Administration's (FDA) voluntary sodium labeling proposal ever becomes mandatory, soft drinks should be exempt from listing their sodium contents, the industry maintains.

In comments submitted to FDA, the National Soft Drink Association (NSDA)

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BI Week

• Joyce Beverages has filed suit in New York to prevent Royal Crown from cancelling its franchise for RC and other products. Legal briefs claim that Joyce's signing (Nov. 22) franchise for Like does not violate the exclusive elements of the RC agreement. Joyce claims that if the "best efforts" clause in its RC agreement prevents it from handling a competitive decaffeinated cola product then that clause is

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Brewing industry has flat growth in '82

By Paul E. Mullins
Editor

SPECIAL REPORT—Year-end figures for the beer industry show that domestic production was up a scant 200,000 barrels in 1982 over 1981. Adding imports—one of the few growth areas—total industry sales were only up 800,000 barrels, an increase of .4%.

Reduced calorie beers, lights, were also one of the bright spots during the year. This segment went from 13.8% of the market in 1981 to 17.4% in 1982. As far as individual companies, Anheuser-Busch, up 8%, and Heileman, up 3.6%, were the only brewers to show gains.

According to BI's John Maxwell, director of research/statistics, the 1982 economy was a factor, "but the rate of increase in beer consumption has been slipping for years and demographics are also becoming rather adverse."

Furthermore, Maxwell projects that 1983 volume will also be flat. He has estimated that per capita consumption in 1985 will be 25.2 gal., an increase of only .6 of a gallon over 1982's 24.6.

Slowdowns in the growth rate of virtually all alcoholic beverages are anticipated. Maxwell, who has been tracking these industries for some 25 years, identifies several factors which are adversely affecting these drinks: lifestyles, government, and demographics.

"Lifestyle is moving increasingly away from alcoholic beverages and into such areas as soft drinks and bottled water. You can see it in your own home; at a cocktail party the guy who used to knock off a bottle of bourbon is now walking around with a soft drink in his hand," he comments.

Increasingly, he says, consumers are becoming more health conscious and this will have adverse ramifications not only for alcoholic beverages but for such items as sugar and salt. "The increases in light beer volume

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Group warns about caffeine, alcohol usage

WASHINGTON, DC—A report to the government has reiterated the scientific community's growing concern about pregnant women's dietary habits, including alcohol and caffeine consumption.

"Alternative Dietary Practices and Nutritional Abuses in Pregnancy" recently released by the National Academy of Science's National Research Council advises that during pregnancy, women abstain from alcohol and consume caffeine in moderation.

The eight-member committee which authored the

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The caffeine free cola/pepper market*

(In millions of 192-oz. cases)

Brand	'82	'83	'86
Pepsi Free	7.0	50.5	105.0
Sugar Free Pepsi Free	5.0	42.0	72.0
Like	2.7	17.0	50.0
Sugarfree Like	0.5	13.0	40.0
RC 100 (decaffeinated RC)	5.0	20.0	50.0
Sugarfree RC 100	38.0	46.0	75.0
Pepper Free[1]	—	17.0	45.0
Others	5.0	37.0	195.0
Total	62.2	248.5	632.0
% of total market	0.9%	3.9%	9.2%
% of cola/pepper market[2]	1.1%	5.2%	12.2%

*Estimated by Beverage Industry
[1]Pepper Free is sugar free, rollout date: January '83
[2]Assumes that the pepper/cola market share will remain a constant 75% during the period.

Sources: Security analysts' reports; Industry contacts

Copyright: Beverage Industry
January 28, 1983

De-caff colas, peppers 4% of today's SD market

By Paul E. Mullins
Editor

SPECIAL REPORT—Date the beginning of the caffeine-free cola market, April 1980. That was the month Royal Crown rolled out the first packages of RC 100, a decaffeinated, sugar-free cola.

The industry hasn't been the same since and will never be again. Today, RC 100 has sales in excess of 30 million and a small, but measurable, .5% of the total soft drink market.

Additionally, three of the top four franchise firms — Dr Pepper, Pepsi-Cola, and Seven-Up — now have caffeine free cola or Pepper en-

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Contents

Beer industry sales up only .4% in '82.

In a special **BI** report, year-end figures show that domestic beer production was up by only 200,000 barrels in 1982 over 1981. Including imports, total industry sales increased only .4%. Import sales totalled 600,000 barrels.

According to **BI's** John Maxwell, director of research/statistics, the 1982 economy was a factor, but he contends the rate of increase in beer consumption has been slipping for years and demographics are also becoming "rather adverse." Maxwell projects sales in the coming years also, anticipating slowdowns in the growth of virtually all alcoholic beverages. See **page 1.**

Caffeine-free market analyzed in report

In another special report, **BI,** analyzes the recent caffeine-free entries into the soft drink market and their future. Also, several market analysts give their opinions of how successful they feel the market will be.

For example, one analyst told **BI** that the caffeine-free segment "will not have an additive effect on overall soft drinks sales, " but feels the real increase in total sales will come with the development of "good-tasting diet drinks." He cites the use of Aspartame and other non-nutritive sweeteners to provide pick up in sales. See **page 1.**

NSDA asks FDA for labeling exemption

The Food and Drug Administration has proposed voluntary sodium labeling, and if the proposal becomes mandatory, NSDA officials say soft drinks should be exempt from listing their sodium contents.

NSDA maintains that soft drinks not only contain insignificant, but varying amounts of sodium, which makes uniform labeling difficult.

NSDA also says sodium contributed by water can vary significantly depending on the geographical location and the time of year in which the product is produced, so they suggested that only those sodium levels be declared or beverages be permitted to label the total sodium content calculated from the level contributed by water.

FDA backs itself by maintaining the food industry's steps in reducing the sodium contents of its products and listing the sodium levels on labels. The agency recently listed Cadbury-Schwepps as producing a "no sodium added" soda water and Canada Dry has introduced a "salt free" seltzer water. See **page 1.**

Projections made for beer wholesalers

Michael C. Bellas, president, Beverage Marketing Corp., discusses the dramatic changes taking place at the brewery level of the U.S. beer industry and what effect these changes will have on the beer wholesaler level.

Eleven charts and tables back up projections that by 1990, surviving beer wholesaler operations will be significantly larger than today: one-half will have over $5 million in sales; one-fourth will have over $10 million in sales and almost 10% will have over $25 million in sales.

For information on Bellas' predictions, see **page 4.**

Fuel economy noted in BI's truck column

Thomas J. Bartlett, truck editor, writes about what manufacturers are doing to increase fuel efficiency for beverage delivery.

While many producers are pushing hard to get new products that save money into the marketplace, Bartlett says diesel engine suppliers are doing some of the "more exciting" work, stressing the importance of fuel efficiency because the fuel bill is the most expensive truck-operating cost.

For more information on DDA's new Intercity engine and other fuel economy suggestions, see **page 22.**

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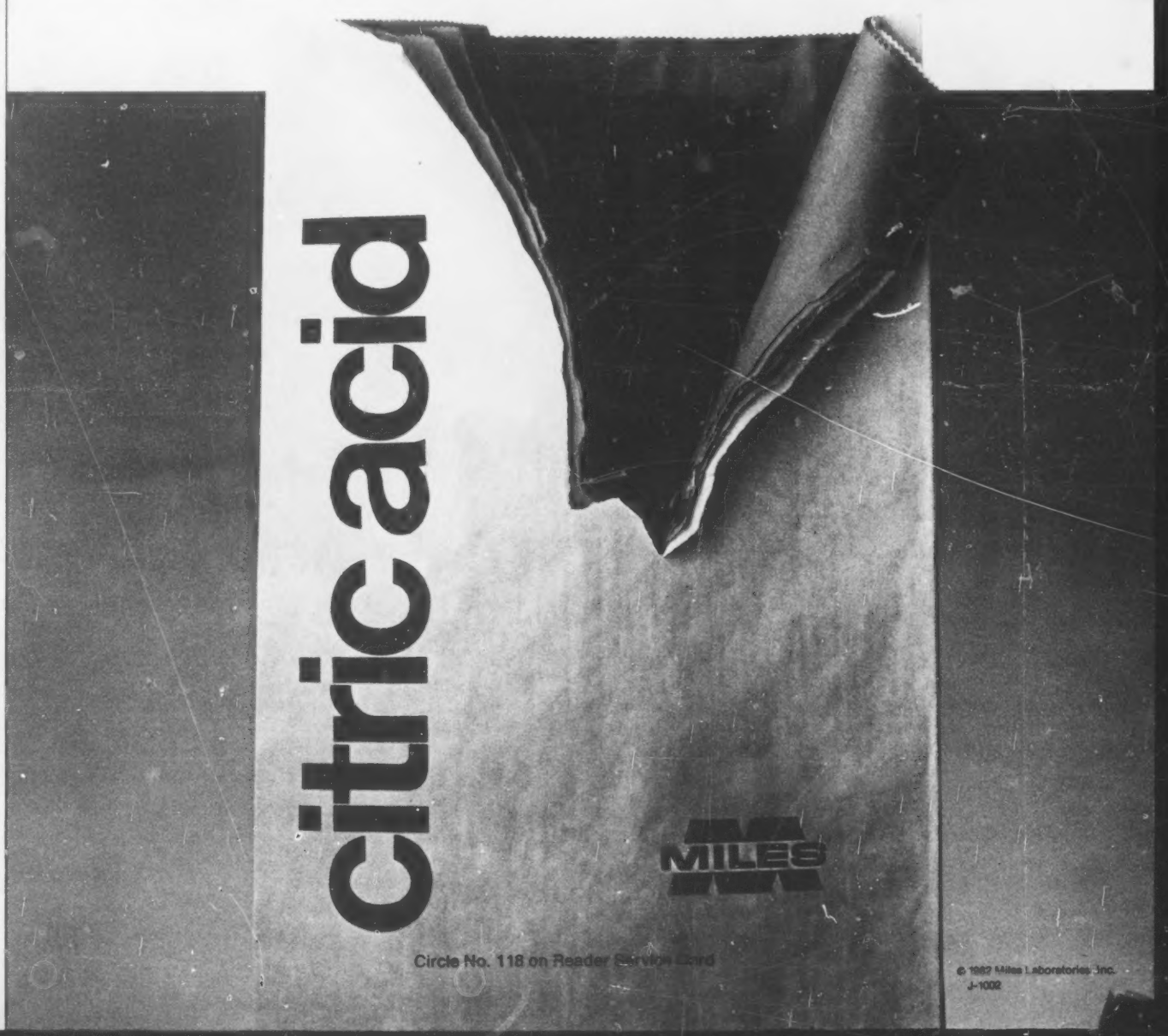

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JANUARY 28, 1983

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AN HBJ PUBLICATION

Beer wholesaler sales concentration: Implications for the 80's and beyond

By **Michael C. Bellas,** President, **Beverage Marketing Corp.,** New York, NY.

This article was developed from a speech delivered at the NSDA Annual Meeting and International Beverage Industry Exposition.

All of us have read articles and heard discussions about the dramatic changes taking place at the brewery level of the U.S. beer industry.

. . .about how Anheuser-Busch and Miller with their large size and huge marketing and advertising programs have captured over 50% of the beer market and are aggressively seeking more;

. . .about how the acquisition of Schlitz by Stroh and most recently the tentative agreement between Heileman and Pabst have been undertaken in order to develop viable companies to compete with the two industry giants;

. . .about Coors' and other regional brewers' difficulties in attempting to maintain their market position and to expand geographically;

. . .and about the slowdown in growth projected for beer sales for the remainder of the decade;

What effect will these changes have on the beer wholesaling level of the industry?

Let us start with the historical development of the beer wholesaling industry. In order to obtain a clearer picture of what has been happening there, we may gain valuable insights by looking first at the larger universe of total alcoholic beverage distributors, both beer, wine and spirits operations. From this total overview, long term historical beer wholesaler evolutionary patterns can be more clearly focused.

Between 1948 and 1958, the total number of alcoholic beverage wholesalers in the U.S. grew from 6,954 to a peak of 7,689. There has been no growth since then. Indeed, the number has declined to the current level of 6,523, a loss of 1,166 establishments or 15% during this 25 year period.

During the first half of the decade, 1948 to 1958, there was a yearly growth rate of 1.3% for all alcoholic beverage wholesalers; the rate slowed in the later half of the period to an average of 0.4% per year. Since 1958, annual decline rates have averaged approximately 1% per year.

Table 1 categorizes the number of wholesalers separately by beer and wine and spirits; from this table we see significant differences. Note,

Table 1: Alcoholic beverage wholesalers by category, 1948-1982

Year	Beer	Wholesalers wine & spirits	Total
1982 (P)	4,551	1,972	6,523
1981	4,637	1,964	6,601
1980	4,713	1,920	6,633
1977	4,836	1,704	6,540
1972	5,114	1,751	6,865
1967	5,472	1,706	7,178
1963	5,788	1,701	7,489
1958	6,020	1,669	7,689
1954	5,904	1,662	7,566
1948	5,401	1,553	6,954

Source: Beverage Marketing Corporation, U.S. Department of Commerce, Census of Wholesalers

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for example, that both groups were growing in the period, 1948-1958. Since then, however, beer distributors have declined steadily — so much so that they give a negative growth rate to the industry as a whole. By contrast, wine and spirits distributors, with the exception of 1977, have been steadily increasing in number throughout this entire period — going from 1,553 in 1948 to 1,972 in 1982, an increase of over 700 establishments.

The rate of decline for beer wholesalers has averaged slightly over 1% per year since 1958, however, that rate has accelerated during the last two years, reaching almost 2% in the 1981-1982 period. The opposite is true for wine and spirit wholesalers. They have been growing steadily since 1948 at about

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Drivers can help control truck maintenance costs

TULSA—Some 17 years ago, Beverage Products Corp., located here, started a distribution cost analysis program which has made it possible to control and reduce these expenses. The bottom line, according to John McFarland, fleet manager, is ". . . the driver can make the difference.

"But," he quickly notes, "that assumes the driver has good equipment underneath him."

Jim Wright, assistant fleet manager, adds, "And we have programs and systems for vehicles and drivers to insure both are top quality.

"Back in 1966, we developed a record keeping system to track all the maintenance, service, operation and fuel costs to come up with cost per mile of operating each vehicle in our fleet, just 400 units then.

"In 1973 the manual bookkeeping functions were gradually transferred to the computer. Then in 1976, we added a scheduling board to better track maintenance. Now this cost reporting system is tracking over 1,000 vehicles and giving us valuable information on their performance—as well as on our drivers."

On a monthly basis, the computer generates two reports. One shows each monthly charge per vehicle. The second report shows three different kinds of charges yielding the current cost per mile; the cost per mile, year-to-date; and fuel consumption. Each department involved gets a copy of this information.

Coupled with field inspections, this information guides management decisions on continuing a vehicle in service or replacing it. And since there is such a considerable data base for comparison, management can easily pinpoint those maintenance costs attributable to normal wear and tear as opposed to abuse or negligence. Maintenance costs and fuel consumption figures also permit management to monitor driver performance.

One decision that flowed out of the cost control data was to go with route trailers. So in 1978, the company began purchasing Hackney and Sons' 10.5 bay trailers. When the first ones came on line, drivers said they were easier to pull than competing makes. That aerodynamic ad-

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A Hackney and Sons' 10.5 Bay Trailer in Pepsi-Cola livery at Beverage Products Co., Tulsa, OK.

Brik Pak to construct packaging material plant

DALLAS, TX—Setting the stage for the development of a 400-acre industrial rail park, Brik Pak Inc. announced that a $40 million packaging plant, Phase I, will be built in Denton, TX. Construction on Phase I will begin immediately. The plant, which will consist of 210,000 sq. ft., will supply packaging material for aseptic Brik Pak filling machines used by the food and beverage industry.

The new Denton plant will be situated at the terminus of a 1½ mile rail spur. The Denton site was selected because of its central Texas location, its proximity to air and ground transportation and the availability of a professional work force. Phase I site development will include roads, employee parking areas, loading docks, a rail spur, perimeter security fencing and landscaping. The site has been master-planned for two additional manufacturing facilities.

The plant is scheduled to begin operation in the spring of 1984 and to be fully staffed and in full operation later that year. Featuring the most modern and efficient equipment available, the production activities will be computer-controlled. An automatic storehouse and in-plant carrier system are also planned.

Brik Pak Inc. is member of the international Tetra Pak group of companies which has 23 production factories worldwide. The firm specializes in aseptic packaging which allows liquid foods such as milk and juice to be stored without refrigeration.

Sunshine Water Co. announces three acquisitions

TAMPA, FL—Michael Cameron, president, Sunshine Water Co., announced the acquisition of three companies. They are: Dean's Water Service, Clearwater, FL; the Seminole Springs Water Co., Altamonte Springs, FL; and the Zephyrhills Water Co., Orlando, FL. All three companies will continue to provide their customers with Zephyrhills Bottled Water Co. products.

In addition, with the acquisition of the Seminole Springs Water Co., the Sunshine Water Co. acquired the distribution rights for Mountain Valley Bottle Water for the Orlando area.

Table 2: Alcoholic beverage producers market share—top 3 companies (1965–1981)

Year	Breweries (a)	Wineries (b)	Distilleries (c)
1981	59.9%	42.0%	35.0%
1980	58.6	43.2	36.0
1979	58.2	44.1	39.4
1978	56.8	43.7	—
1977	52.9	47.0	—
1976	48.1	47.0	—
1975	48.1	47.7	35.3
1974	46.3	47.0	—
1972	38.9	50.0	—
1970	34.6	50.0	33.0
1965	24.1	—	31.0

(a) Anheuser-Busch, Miller, Schlitz (b) Gallo, United Vintners, Almaden (c) Seagrams, Heublein, National Distillers

Source: Beverage Marketing Corporation; U.S. Brewers Association; Distilled Spirits Council, Impact, Wine Institute

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Table 3: Alcoholic beverage producers, by type (1948–1982)

Year	Breweries*	Wineries (bonded wine cellars)	Distilled spirits producers
1982 (P)	105	1,050	107
1981	104	1,021	110
1980	101	920	113
1977	95	703	96
1972	139	464	121
1967	176	428	150
1963	211	445	164
1958	252	527	193
1954	310	601	223
1948	466	798	300

P = Preliminary

*These are producing plants; there are actually 44 operating companies in the U.S.

Source: Beverage Marketing Corp., BATF

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Only nature has had more experience with citric acid than Pfizer

Making the complex look simple is an art. Here, you see the art of a master engraver who has worked for months with the purest crystal.

His efforts delight the eye. Yet his subject, the orange and the stages in its growth, is greater than he. Oranges are one of nature's own masterpieces, evolved over countless eons. They create and protect, in lovely and fragrant form, that complex compound called Citric Acid.

Exactly how nature produces Citric Acid was long a mystery; the chemistry was too subtle, too sophisticated. But Pfizer was determined to solve that mystery, and set out to find ways to produce bountiful new supplies of Citric Acid through the natural process of fermentation chemistry.

It took us almost a generation of work, but it was done and done well. Today, Pfizer produces more Citric Acid than anyone in the world. Far more. And we have been working on Citric Acid longer than anyone else. With the sole exception of our teacher, Mother Nature herself. Pfizer commissioned this exquisite crystal piece in appreciation of the models she gave us.

Pfizer
CHEMICAL DIVISION

Wholesalers

(Continued from page 4)

1/2% per year with a sharp increase in growth for the 1977-1980 period when the average reached a high rate of 3.1%. The rate of growth of wine and spirit wholesaler establishments, however, slowed in the 1981-1982 period to 0.4% per year.

The major factor behind the decline in the number of beer wholesalers has been the ever increasing concentration of market share at the supplier level among the leading breweries. Since 1965, the top three brewing companies have increased their combined shares from 24% to almost 60%. (Table 2) With a few exceptions, most of the remaining brewers have not only lost significant market share, but their total barrelage production has declined, and in some cases, very sharply. This supplier level concentration has meant that beer wholesalers without products of the leading breweries have had the difficult task of having to exist in an environment of ever increasing operating expenses with flat or declining sales.

supplier level

A different situation has occurred at the supplier level among the leading wineries and distilleries. Market share concentration for the top three companies has actually declined for wineries and has been flat for distilleries. Over the past decade, the combined market share of the top three wineries has dropped from 50% to 42%, while the top three distilling companies showed relatively flat share growth of from 33% to 35%. This lessening of sales concentration at the supplier level among the leading wineries has permitted many smaller wineries to grow and many new wineries to enter the marketplace. In this situation, wine and spirit wholesalers have prospered since they have had liberal access to new and growing wine brands to help cover their increasing operating expenses.

This increased concentration of beer sales in the leading breweries has also dramatically shrunk the number of breweries. (Table 3) In 1982, there are approximately 105 operating breweries in the U.S., down from 252 in 1958 and 466 in 1948. (Please note: I am talking only about beer producing facilities — there are only 44 actual brewing companies left in the U.S. today.) This has meant that there are fewer and fewer strong beer brands available to wholesalers with declining or flat sales.

By contrast, the growth in

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Wholesalers

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the number of wine wholesalers has been fueled by the dramatic increase in the number of winery products available to them during recent years. Beverage Marketing Corp. projects that today there are approximately 1,050 bonded wine cellars owned by more than 800 wineries — well more than double the number in operation just ten years ago. The number of spirits producers has not changed significantly over the past ten years. However, please note the trend line is also toward concentration.

While all of these consolidations and liquidations have been taking place on the supplier side, there has been another development in the distributorship ranks. Table 4 shows that the number of beer wholesalings firms which have added wine has increased significantly. There were 662 such firms in 1963; in 1982 the number has grown to 1,110. The number has almost doubled in the 20-year period. This diversification of product has meant that these combination distributors can spread their operating costs over a greater number of brands and products.

Over half of the beer distributorships in operation in 1981 — that is 56.3% and 2,610 companies — had sales in excess of $2 million. (Table 5) Thirty-two percent, 1,497 firms, had sales over $3 million, and 17.5% or 808 distributors, had sales over $5 million. Slightly over 2,000, or roughly the bottom half of all firms, had sales of less than $2 million in 1981.

Table 6 shows just how concentrated the current U.S. beer wholesale distribution channels are. The top 335 firms, 7.2% of the total, all with volumes in excess of $10 million controlled well over one-third of the total beer sold in 1981, 38.2% to be exact. The top 17% of the companies, 808 all with volumes over $5 million, control about 60% of the industry. By contrast, those companies with sales below $2 million, 2,027 establishments or roughly the bottom 50%, controlled only 12% of the 1981 industry volume.

Table 7 dramatically illustrates that what has been happening at the brewery level — ever increasing sales concentration — is also happening quite rapidly at the wholesaler level. See how quickly the big have been getting bigger. In one year between 1980 and 1981, there was a dramatic increase, 50% in the number of operations in the $25 million to $50 million sales range. With the exception of those firms with sales of over $50 million, all company sales size categories of over $1 million showed increases. (The reason for the decline in the very top category was that two New York City beer wholesalers, both with volumes over $50 million, closed their operations due to transshipping, otherwise this category would have increased by 12% too.)

The remaining establishments with sales below $1 million declined drastically. Between 1980 and 1981, the number of firms dropped 10.4% in the under $500,000 area and 17.4% in the $500,000 to $1 million category. Some of these firms below $1 million moved into the higher $1 million to $2 million group. Growth in this category was mainly aided by the gains of Anheuser-Busch and Miller wholesalers. If these were removed, the $1 million to $2 million group would also have shown a decline. All of us are aware of the factors affecting the dropout of these smaller firms; unionized delivery and warehousing, increased selling and merchandising expenses and higher administrative costs. These overhead expenses make it extremely difficult to operate profitably with sales under $2 million annually.

The same trends that are taking place nationally are also occurring in almost all regions of this country. These beer wholesaler establishments under $2 million showed significant declines with the depressed Great Lakes region showing the highest loss in one year, 10.9%, a rate that is almost 50% higher than the national average. Again, the under $2 million wholesalership losses by region are attributable to the Anheuser-Busch and Miller operations moving up to higher sales categories and smaller second and third tier brewers' wholesalers either merging or closing their doors. Additionally, it should be noted that all regions, with the exception of the New England area, which was flat, showed solid one year increases in the number of wholesalerships with annual sales of over $2 million.

Table 8 (see following page) analyzes beer distributors by their primary brands — Anheuser-Busch, Miller, Schlitz / Stroh's / Schaefer, Pabst/ Olympia, Coors, Heileman and all others — and by sales categories. Note that as you move from left to right across this exhibit, the percentage of a brewery's wholesalers under $2 million in 1981 sales, increases from 30% to 40% for Anheuser-Busch and Miller to more than 65% for "all others."

Most of the firms in the "all others" category will more than likely not be able to compete in the 1980's. They have primary brands that are expected to show low growth or declines and are below $2 million in sales. Those firms below $2 million in sales in the second tier of brewers are also highly vulnerable since these primary brands will have an increasingly more difficult time generating volumes to cover these companies' increased operating costs. Finally, Anheuser-Busch and Miller wholesalers — in all sales categories — are projected to enjoy above average industry growth and should remain viable during the 1980's.

Now let us look at the projected 1990 distribution channels. The recent increase in the rate of decline among beer wholesaler growth rates will moderately accelerate during the 1982-1986 period approaching a decline of 2.1% a year. (Table 9) During the last half of the decade, this declining rate will further increase slightly to 2.3% per year from 1986-1990.

The increased rate of decline is attributable to the ever-increasing levels of con-

By 1990, surviving beer wholesaler operations will be significantly larger than today:

- ***one-half will have over $5 million in sales***
- ***one-fourth will have over $10 million in sales, and***
- ***almost 10% will have over $25 million in sales***

Table 4: Multiple alcoholic beverage wholesalers (1963 – 1982)

Year	Beer Only	Wine & Spirits Only	Beer, Wine & Spirits	Total
1982 (P)	3,441	862	1,110	6,523
1981	3,561	888	1,076	6,601
1980	3,693	900	1,020	6,633
1977	3,998	866	838	6,540
1972	4,347	984	767	6,865
1967	4,773	1,007	699	7,178
1963	5,126	1,039	662	7,489

P = Preliminary

Source: Beverage Marketing Corporation; U.S. Department of Commerce, Census of Wholesalers

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Table 5: U.S. beer wholesaler establishments ranked by sales size (1981)

Sales Range	Number	Cumulative number	% of total	Cumulative %
$50 Million or more	7	7	0.2%	0.2%
$25 to $50 Million	42	49	0.9	1.1
$10 to $25 Million	286	335	6.2	7.3
$5 to $10 Million	473	808	10.2	17.5
$3 to $5 Million	689	1,497	14.8	32.3
$2 to $3 Million	1,113	2,610	24.0	56.3
$1 to $2 Million	1,076	3,686	23.2	79.5
$500,000 to $1 Million	685	4,371	14.8	94.3
Less than $500,000(*)	266	4,637	5.7	100.0
Total	**4,637**		**100.0%**	

(*) Includes 2 unclassified companies

Source: Beverage Marketing Corporation

Copyright: Beverage Industry and Beverage Marketing Corp., January 28, 1983

Table 6: Beer wholesalers sales concentration (1981)

Sales Ranges	Establishments Number	Cum. No.	Cum. %	Sales Volume Amount (000)	Cum. Amt. (000)	Cum. %
$50 Million or more	7	7	0.2%	$ 385,000	$ 385,000	2.1%
$25 to $50 Million	42	49	1.1	1,575,000	1,960,000	10.7
$10 to $25 Million	286	335	7.2	5,005,000	6,965,000	38.2
$5 to $10 Million	473	808	17.4	3,547,500	10,512,000	57.6
$3 to $5 Million	689	1,497	32.3	2,756,000	13,268,500	72.7
$2 to $3 Million	1,113	2,610	56.3	2,782,500	16,051,000	88.0
$1 to $2 Million	1,076	3,686	79.5	1,614,000	17,665,000	96.8
$500,000 to $1 Million	685	4,371	94.3	513,750	18,178,750	99.6
Under $500,000 (*)	266	4,637	100.0	66,500	18,245,250	100.0
Total	**4,637**			**$18,245,250**		

(*) Includes 2 unclassified companies

Source: Beverage Marketing Corporation

Copyright: Beverage Industry and Beverage Marketing Corp., January 28, 1983

Table 7: Comparison of 1980 and 1981 U.S. beer wholesaler establishments

Sales Size	1980	1981	Change	% Change
$50 Million or more	8	7	−(1)	−(12.5)%
$25 to $50 Million	28	42	14	50.0
$10 to $25 Million	258	286	28	10.9
$5 to $10 Million	466	473	7	1.5
$3 to $5 Million	681	689	8	1.2
$2 to $3 Million	1,112	1,113	1	—
$1 to $2 Million	1,035	1,076	41	3.9
$500,000 to $1 Million	829	685	−(144)	−(17.4)
Under $500,000 (*)	297	266	−(31)	−(10.4)
Total	**4,714**	**4,637**	**−(77)**	**−(1.6)%**

(*) Includes 2 unclassified companies in 1981 and 20 in 1980.

Source: Beverage Marketing Corporation

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Table 8: Primary brand beer wholesaler sales analysis (1981)

Sales Size	Anheuser-Busch No.	%	Miller No.	%	Stroh/ Schlitz/ Schaefer No.	%	Pabst/ Olympia No.	%	Coors No.	%	Heileman No.	%	All Others No.	%	Total U.S. No.	%
$50 Million or More	4	0.4	1	0.1	—	—	—	—	1	0.4	1	0.2	—	—	7	0.2
$25 to $50 Million	17	1.6	15	1.7	7	0.8	—	—	2	0.8	—	—	1	0.2	42	0.9
$10 to $25 Million	86	8.0	103	11.8	34	3.8	25	3.9	18	7.2	11	2.5	9	1.9	286	6.2
$5 to $10 Million	128	11.9	113	12.9	99	11.0	59	9.3	20	8.0	30	6.9	24	5.1	473	10.2
$3 to $5 Million	180	16.8	147	16.8	129	14.4	97	15.3	38	15.3	55	12.7	43	9.1	689	14.8
$2 to $3 Million	230	21.4	230	26.3	234	26.1	160	25.3	78	31.3	94	21.6	89	18.4	1,113	24.0
Subtotal—Over $2 Mil.	645	60.1%	609	69.6%	503	56.1%	341	53.8%	157	63.0%	191	43.9%	164	34.7%	2,160	56.3%
$1 to $2 Million	226	21.0	157	17.9	229	25.5	169	26.7	59	23.7	109	25.1	127	26.8	1,076	23.2
$500,000 to $1 Million	165	15.4	87	9.9	119	13.3	86	13.6	27	10.9	96	22.1	105	22.2	685	14.8
Less than $500,000	38	3.5	23	2.6	46	5.1	37	5.9	6	2.4	39	8.9	77	16.3	266	5.7
Subtotal—Under $2 Mil.	429	39.9%	267	30.4%	394	43.9%	292	46.2%	92	37.0%	244	56.1%	309	65.3%	2,027	43.7%
Total	**1,074**	**00.0%**	**876**	**100.0%**	**897**	**100.0%**	**633**	**100.0%**	**249**	**100.0%**	**435**	**100.0%**	**473**	**100.0%**	**4,637**	**100.0%**

Source: Beverage Marketing Corporation

Copyright: Beverage Industry and Beverage Marketing Corp. January 28, 1983

Table 9: Beer wholesaler establishments

Year	Number	Annual Change	Average Annual Growth Rate
1990	3,750	−(100)	−(2.3)
1986	4,150	−(100)	−(2.1)
1982	4,551	−(86)	−(1.9)
1981	4,637	−(76)	−(1.6)
1980	4,713	−(41)	−(1.2)
1977	4,836	−(56)	−(1.1)
1972	5,114	−(72)	−(1.3)
1967	5,472	−(79)	−(1.3)
1963	5,788	—	

Source: Beverage Marketing Corporation

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Table 10: Projected beer wholesaler establishments ranked by sales size (1981-1990)

Sales Range	1981	1990	Change Amount	Change %	1990 Cum. % of total
$50 Million or more	7	50	43	614.3%	1.3%
$25 to 50 Million	42	300	258	614.3%	9.3
$10 to 25 Million	286	500	214	74.8	22.6
$5 to 10 Million	473	1,000	527	114.2	49.3
$3 to 5 Million	689	1,100	411	59.2	78.6
$2 to $3 Million	1,113	550	−(563)	−(50.6)	93.3
Under $2 Million	2,027	250	−(1,777)	−(87.7)	100.0
Total	**4,637**	**3,750**	**−(887)**	**−(19.1)%**	

Source: Beverage Marketing Corporation

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centration anticipated in the brewing industry. Industry analysts see Anheuser-Busch approaching at least a 40% market share by 1990, with Miller Brewing closing in on a 28% to 30% share. Finally, a strong Stroh/Schlitz could claim a 12% to 15% share. These top three brewers could jump from a 60% share in 1981 to as high as an 80% share in 1990. This increased share would intensify the difficulty of wholesalers without these brands to generate needed sales to cover their operating costs.

Wholesalers operating costs will also be continually increasing during the coming decade as brewers require their franchised distributors to operate with:

- increased preselling manpower
- more local participation in TV, radio, and promotional activities
- more product merchandising and display activity
- higher costing, controlled environmental warehouses
- more automation of their office and warehouse procedures

These cost factors will accelerate the consolidation of the marginal major brand wholesalers, and force the closing of many small, secondary brand distributors. It is also important to note that these projections assume that transshipping of beer does not become a more significant factor. If it does, the projected loss of beer distributors would have to be adjusted significantly higher.

By 1986, the number of U.S. beer wholesalers will have dropped to 4,150, with losses of approximately 100 firms a year. This loss of 100 per year will continue from 1986 to 1990, when the number of beer wholesalers in the United States will be about 3,750. During the next eight years, the industry will decline by almost 900 individual beer wholesalers, or approximately 20% of the companies.

By 1990, surviving beer wholesaler operations will be significantly larger than today:

- one-half will have over $5 million in sales
- one-fourth will have over $10 million in sales, and
- almost 10% will have over $25 million in sales

The number of beer wholesalers under $2 million in sales will decline by 87.7% to a projected 250 establishments. (Table 10)

Most of the current Anheuser-Busch and Miller wholesalers in this smaller sales group will advance to the higher sales categories, or be bought by contiguous Anheuser-Busch and Miller distributors. Most of the remaining distributors in this smaller sales category will either:

- sell out to other distributors in the local market
- merge with contiguous distributors with similar brands, or simply
- go out of business

Beverage Marketing Corp. estimates that the national wholesale beer dollar volume should reach almost $36.4 billion dollars by 1990. (Table 11) Beer wholesaler sales concentration will be significantly higher by 1990. The top 850 companies, those with volumes over $10 million, 22% of the total, will control 63% of the industry volume, approximately $23 billion dollars. The top 1,850 establishments, those with volumes over $5 million, 50% of the total, will control 83% of the total U.S. wholesaler sales. That is $30.4 billion of a $36.4 billion industry! By comparison, this group controls in 1982 only $10.5 billion.

Finally, let us speculate on what some of these increased sales concentration levels will mean to the beer wholesaling industry for the 1980's and beyond.

First, as the beer wholesaler industry becomes more concentrated and more and more dominated by larger and larger companies, the large beer wholesalerships will be increasingly managed by professional beverage industry managers, quite similarly to the professional managers operating many of today's large soft drink bottling and canning operations. The era of the small, and of the family-run beer wholesalership will be largely over by the end of the decade. These large wholesalerships will utilize computerized monitoring systems for ordering, sales analysis, internal auditing, and routing. They will also need large capital budgets in order to operate fully automated CEW warehouses and for the sophisticated efficient and more expensive delivery vehicles of the late 1980's.

Second, the number of beer wholesalers per metropolitan trading areas will decline sharply. In large metropolitan markets, there will be roughly four wholesalers — one for Anheuser-Busch, one for Miller, one for the strongest second tier brewer, and a fourth for "All Others." In smaller markets, there will be at most three wholesalers — one for Anheuser-Busch, one for Miller, and maybe a

(Continued on page 45)

Table 11: Projected beer wholesaler sales concentration (1990)

Sales Range	Projected Number of Establishments	Estimated Wholesaler Sales Volume Amount (Millions)	Cum. Amount (Millions)	Cum. %
$50 Million or more	50	$ 2,875	$ 2,875	7.9%
$25 to $50 Million	300	11,250	14,125	38.8
$10 to $25 Million	500	8,750	22,875	62.8
$5 to $10 Million	1,000	7,500	30,375	83.4
$3 to $5 Million	1,110	4,400	34,775	95.5
$2 to $3 Million	550	1,375	36,150	99.3
Under $2 Million	250	250	36,400	100.0
Total	**3,750**	**$36,400**		

Source: Beverage Marketing Corporation

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Wholesalers

(Continued from page 30)

third for "all other brands." Because of the reduced number of wholesalers, product availability in these smaller markets will be restricted. Increasingly in these small markets, the smaller Anheuser-Busch and Miller wholesalers will also become subsidiaries of the large, nearby metropolitan wholesaler."

Third, the large national brewers, especially Anheuser-Busch and Miller Brewing, because of their dominant, well-financed, efficient and profitable wholesaler networks, will enjoy a substantial competitive advantage over their rival brewers. Because of their large size, Anheuser-Busch and Miller wholesalers will be able to cost justify large marketing staffs and to give more specialized attention to key selling functions. Since most of the remaining wholesalers, for viability reasons, will be representing a number of relatively smaller brewers, they will not be able to spend a concentrated effort on any one brewer's product line. If, as Anheuser-Busch has stated ("the battle ground of the 1980's will shift from TV to the front line wholesaler sales efforts") they will be well equipped to do battle.

Fourth, new product entries will be sharply limited. The large national brewers and importers will be able to readily introduce new products, which may even include non-beverage products, through their well-established wholesaler networks. Other small brewers and importers, however, will find it difficult to find wholesalers with the strength to give their brands any real clout in the marketplace. They may only be successful by further segmenting the market and introducing products in previously unexploited segments and thus attaching themselves in a non-competitive way to existing distribution networks. In the past, these unexploited market segments have included ales, malt liquors, and imported beers In the future, it may be a beer that appeals to a specialized population segment, or it may be a beer with a strong specific regional attraction.

Additionally, smaller brewers and importers struggling for adequate distribution and merchandising for their products will be looking at other approaches for getting around the problem of finding capable wholesalers to handle their products.

- Some will try selling their products through the wine and spirit wholesalers networks.
- Others will approach the soft drink bottler and distributor networks in order to obtain some type of distribution.
- Additionally, I am also sure that there will be increased pressures for many of these smaller brewers to by-pass the wholesaler network and to deal directly with large retail accounts.

Finally, the vulnerable smaller second and third tier wholesalers must find ways of accommodating to the cost efficiencies and realities of the marketplace.

They will have to put together product lines which will include some "strange bedfellows" in order to have case volumes sufficient to be viable. These wholesalers may have to carry, in addition to several medium and smaller brewers' products, bottled waters, soft drinks, snacks, wines and other complimentary products.

These wholesalers may also have to consider a "shared warehouse", i.e. one in which two wholesalers are housed in one building, but maintain separate selling, merchandising, and record keeping identities.

Additionally, these wholesalers may also have to consider either common or alternating delivery operations with other wholesalers, but again maintaining separate preselling, merchandising, and record keeping identities.

In the final analysis, of these smaller wholesalers, only the dedicated, flexible and innovative will survive.

Germany site of PET conference

DUSSELDORF, W. GER.—The 4th International PET Bottle Conference will be held here two days before the opening of the K'83 Exposition on Oct. 3 and 4.

The scope of this year's conference will include polypropylene and polyvinyl choride containers. Also included in the program is the upcoming generation of PET cans, introduced by Sewell (U.S.), Plastona (U.K.) and Thermoforming (Italy).

Newest developments in equipment, materials, techniques and applications will be presented, highlighted by information on practical market experiences of the industry, and distribution.

Call for papers is now open: abstracts of about 200 words are requested no later than Jan. 31, 1983. Suggestions should be sent to Drs. Guido de Craene, Rigi-Media, Lambrechtshoekenlaan 12, B-2060 Merksem.

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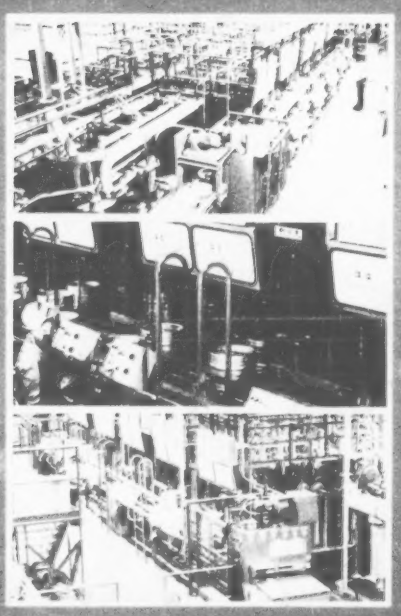

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Survival is priority for beer wholesalers, brewers: Katz

By Philip C. Katz, senior vp-research, **United States Brewers Assn.**

Editor's note: *This article is an adaptation of a presentation by Philip C. Katz given at the recent NBWA meeting. His remarks have been edited to conform to* ***Beverage Industry*** *style.*

In order to assess the priorities of the brewing industry and beer wholesalers specifically next year and in the 1980's, we went to the experts for their opinions. Within the past month we circulated a questionnaire to individual state beer wholesaler secretaries asking for their opinions on the problems and issues they view as critical for their members.

Before reviewing the results of that questionnaire let's review the past in order to set things in perspective. Ten years ago, what would be viewed as critical industry problems and beyond that what marketing and economic trends which should be considered?

First of all, there would have been more of us around in the early 70's. Today, there are 44 brewing companies and 91 plants. Ten years ago there were 78 companies and 147 plants. Similarly, and almost of necessity, there are fewer beer wholesalers. Today, there are approximately 4,600 and in 1972 there were over 5,000. There is no need to go into detail over the reasons for the decline, they are well known to anyone in the industry.

Most geographic regions have felt the impact of concentration in numbers. The Northeast has seen a decline of some 327 wholesalers or 27% while the South recorded a change of 4%, the Midwest 170 or 10% and the Far West an increase of 50 wholesalers. One other aspect of the distribution system, the retailing segment, has declined in overall outlets, increasing concentration of sales in food chains particularly.

The primary problem of the brewers, wholesalers and retailers in the 1970's as it turned out was survival and this will continue to be the priority in the 1980's as well. Survival, however, is dependent on two things: one, those things which an individual or firm cannot control or influence and two, factors which can be affected by action or inaction.

Let's address those areas which can contribute to survival and which wholesalers can, by their own actions or those of their companies, influence.

market growth

The first area to consider in assessing the industry in the past 10 years is the overall market or industry growth. Obviously, survival is not directly related to overall industry sales but is certainly more likely in an expanding market than one which is contracting.

From 1972 to 1981, the entire beer market in the U.S. increased by 40% or a little over 50 million barrels. Of that 50 million barrels gain, the South Atlantic states had the greatest share of the increase, some 10.5 barrels or 21%. The second highest area in achieving consumption gains was the West South Central states of Arkansas, Louisiana, Oklahoma and Texas which increased by about 9 million barrels and had 18% of the entire country's increase. In third position was the Pacific Coast states of Washington, California and Oregon with 17% of the nation's gain in consumption, almost 9 million barrels.

Because of the population growth and changes what happened to these regions in terms of the percent gains of each by comparing the barrels sold in each region in 1972 and 1981 and see how they rate in percent growth.

While the South Atlantic states had the greatest increase in barrelage over that period it did not have the largest percent gain. That honor fell to the West South Central area and the Mountain states which both saw a 70% increase in sales. This compares with the national average of 40%. The region with the smallest growth in this period was the Middle Atlantic states which were up by only 15%.

Incidentally, the state which has had the greatest percent increase in consumption in the last ten years has been Wyoming followed

(Continued on page 14)

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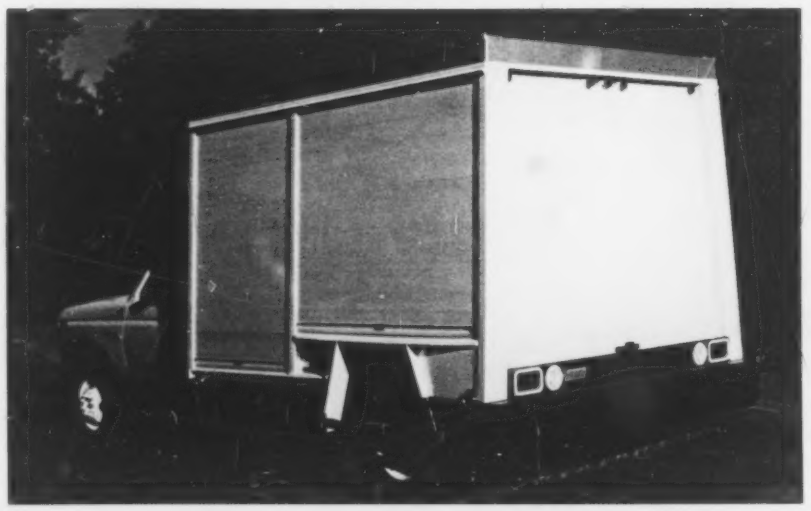

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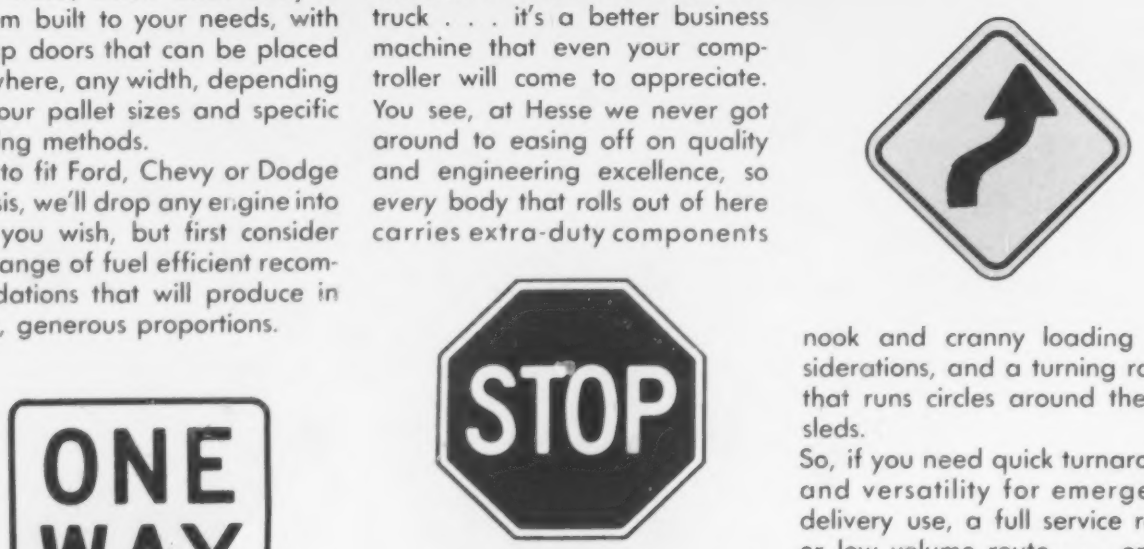

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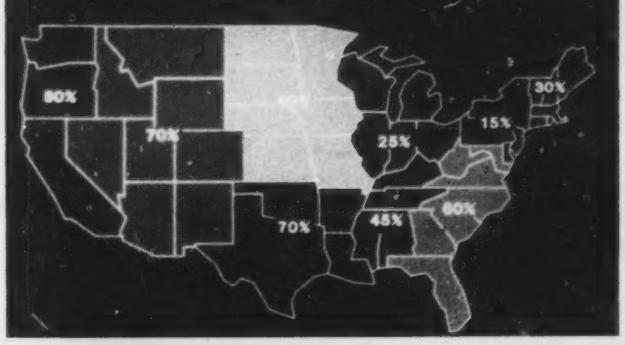
BREWERIES

	1972	1982
Brewers	78	44
Plants	147	91

1972 - 1980
CHANGE IN BEER WHOLESALERS

INCREASES IN U.S. BEER MARKET
1972 - 1981



INCREASES IN U.S. BEER MARKET
1972 - 1981

	BARRELS	SHARE (%)
NE	2	4
MA	4	8
ENC	6	12
WNC	4	8
SA	11	21
ESC	2	3
WSC	9	18
MTN	4	9
PAC	9	17
US	51	100%

1981
US ALCOHOL BEVERAGE CONSUMPTION
18 & OVER

	BEER	WINE	SPIRITS
TOTAL (billion gallons)	5.65	.498	.449
PER CAPITA (gallons)	34.0	2.99	2.70
PER DAY (ounces)	12	1.0	.9

CHANGES IN ALCOHOL BEVERAGE MARKET
1972 - 1981

	SPIRITS	WINE	NET
NE	4%	65%	61%
MA	-2	29	31
ENC	3	40	37
WNC	10	59	49
SA	17	64	47
ESC	26	74	48
WSC	55	58	3
MTN	43	86	43
PAC	16	54	38
US	14	52	38

Katz

(Continued from page 10)

closely by Nevada and Alaska. The three states which have had the smallest increases are Rhode Island where only 6.1% more beer is being consumed now than in 1972, followed by Michigan with its deposit law and New York up only 11%.

A further aspect of industry growth is comparisons with beverages which compete directly with beer. In a sense, of course, every project, both durable and nondurable, competes in the market place for the consumer's dollar but let us consider the overall and regional changes in distilled spirits and wine consumption over the years. A number of distributors carry wine as well as beer and it might be interesting to see how the competing products have fared.

In the case of wine overall wine sales have increased in this country by about 52% in the past ten years. Distilled spirits sales have increased in that same period by 14% and as a result, in 1980 for the first time, wine consumption in the U.S. went ahead of distilled spirits sales.

In New England, while distilled spirits consumption increased over the past 10 years by 4%, wine sales were up by 65%. Similarly, collectively in the states of New Jersey, New York and Pennsylvania, liquor sales declined between 1972 and 1982 by 2.5% while wine sales went up by about 30%. In every section of country except one there has been a much greater increase in wine sales than in distilled spirits consumption. The greatest differential has occurred in the New England states which has a spread of 61%; that is, when the 65% wine increase is compared with distilled spirits 4% gain there is a difference of 61 percentage points. However, on the other hand, in the West South Central states there is a difference of only three percentage points. Distilled spirits sales went up by 55% compared to the national average of 14%. Wine sales went up slightly more there than did liquor sales with a 58% gain.

There are two other aspects of this competing beverage analysis to consider before reviewing its relationship with one of the gravest problems the brewing industry faces, taxation.

First, one might receive the impression that wine sales are going out of sight, beer sales are not far behind and the distilled spirit business is relatively weak. While the data generally supports this, the physical volumes involved and the dollar value must be taken into account.

In 1981, the volume of beer consumed in the United States was 5.65 billion gal. and this compares with wine consumption of not quite one half billion and distilled spirits with 449 million gal. Thus, beer volume is about six times the volume of spirits and wine together. Put another way, the per capita consumption of beer is a little over 24.6 gal. and wine and spirits together a little over 4 gal. a year. On a per drink basis, the 18 and over population averages one 12 oz. serving of beer per day and about 1.5 oz. of spirits and wine combined.

The wholesale dollar value of beer compares well with that of distilled spirits and wine. According to Beverage Marketing Corp., the U.S. wholesale sales of beer in '81 was $18.3 billion and wine and spirits together are estimated to be between $16 billion and $17 billion.

(Continued on page 17)

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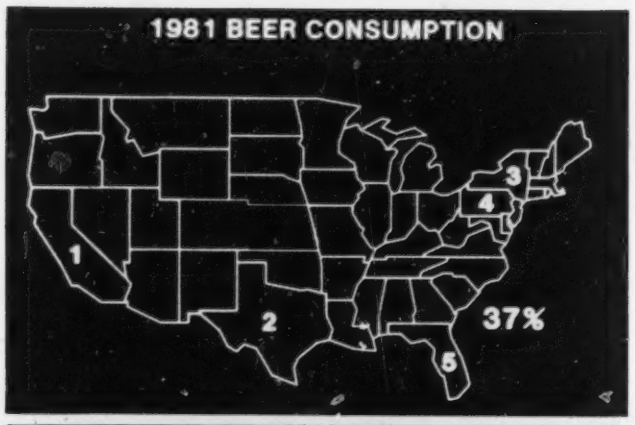

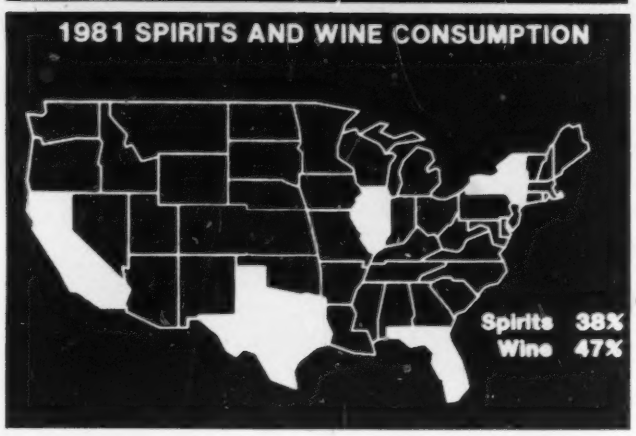

Katz

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A final consideration in viewing the alcohol beverage market is the concentration in sales in terms of the various states and again in this area beer is the best performer although the distilled spirits figures are very close.

Thus, in 1981 the top five states in beer consumption were California, Texas, New York, Pennsylvania and Florida and together they accounted for 37% of the total country. For spirits, the top five states accounted for 38% of sales and in this instance Illinois is included rather than Pennsylvania. In regard to wine, however, it is quite different. The top five states account for almost half of all the nation's wine sales and the wine ranking is exactly the same as spirits'.

problems of '80's

In order to assess the priorities and problems of the brewing industry in 1983 and later years, USBA went to close to fifty state beer wholesaler association chief executives for their opinions. USBA has traditionally prepared its own evaluations based on anticipating political and social trends with a very good record in this regard. For example, in the late 1960's, USBA advised the industry of the problems it faced in regard to litter and the resulting threats on mandatory deposits which at that time were virtually unheard of. The legislative and referenda activity of the 1970's and 1980's bears out this concern.

State representatives were asked to respond to two questions. First, they were asked to rank, for their own state, the issues which will be of greatest importance to their beer wholesaler members in 1983. Five items to select were listed as well as a blank space where they could write in their own. The listing shows excise taxes, including earmarking, transshipping and exclusive territories, alcohol abuse as a broad category including underage drinking and drunk driving, fourth mandatory deposits and finally, threats to the three tier system which could include direct sales from supplier to retailer. This same list appeared in the second question but for the period 1984-1988.

We also did a geographical breakdown of each response to determine if there were patterns in regard to these issues throughout the country.

Overall return for this questionnaire was excellent. Responses were received from close to 90% of the states and there was a high return rate from all of the regions.

In the Northeast, transshipping problems rated number one on the list followed by alcohol abuse and mandatory deposits. In subsequent years it is expected that transshipping and alcohol abuse will be equally difficult areas followed by mandatory deposits.

In the South association representatives feel that in 1983 excise taxes and alcohol abuse rate equally as major problems. Transshipping and mandatory deposits are tied for the next place. Similarly, in the subsequent years excise taxes and alcohol abuse are tied for first and transshipping is next followed by mandatory deposits.

In the Midwest in 1983, the leading area of difficulty is expected to be alcohol abuse followed by excise taxes and transshipping. Mandatory deposits ranks last. In later years alcohol abuse is anticipated to be the prime area followed by transshipping and threats to the three tier system and lastly excise taxes.

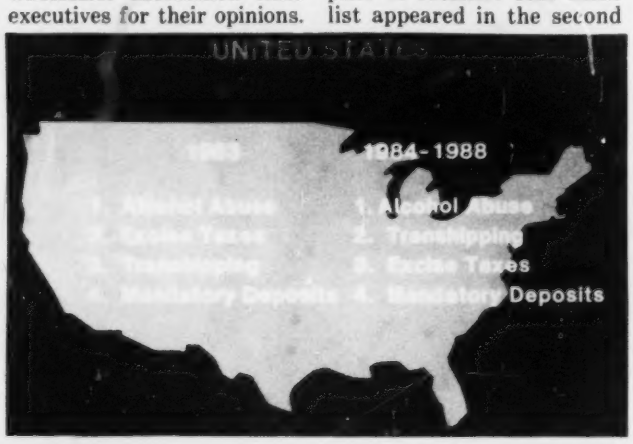
Finally, in the Far West excise taxes rank number one next year followed by alcohol abuse with mandatory deposits and transshipping and other three tier system threats. In years beyond, alcohol abuse ranks first followed by a tie between excise taxes and threats to the three tier system.

It is quite clear from this analysis that there are considerable differences between the regions in the coming year and then later in the 80's. In the Northeast the major concern is transshipping and the threats to the three tier system while in the South excise taxes and alcohol abuse stand out. Alcohol abuse is of much greater concern in the Midwest next year than in the Far West which views excise taxes as the chief concern.

national concern

Nationally the association executives rank alcohol abuse overall as the greatest problem facing the industry followed closely by excise tax threats and then transshipping. Mandatory deposits rank further down on the list.

In the years 1984-1988 these same people view alcohol abuse as number one followed by transshipping and other related three tier system problems. Excise taxes rank a close third followed by mandatory deposits with less backing.



In regard to excise taxes and earmarking, the dangers are very real and current. In 1982 in the various state legislatures there have been 19 bills introduced to raise the excise tax on beer. In addition, there have been 22 bills which would earmark the increased revenues for various purposes including prison rehabilitation, alcoholism, and services to the aged. Many of those bills are pending or will be reintroduced in 1983.

Likewise, there has been activity this year in regard to taxes at the federal level and the future needs for increased revenue and a balanced budget. The pressures will increase both at the federal and state levels due to the respective revenue requirements and the brewers, wholesalers and suppliers must see to it that our position is heard. Most industry representatives would agree that the greatest single threat in this regard is the concept of absolute alcohol taxation. For those of you who may not be familiar with this concept, let me explain.

Association executives rank alcohol abuse overall as the greatest problem

Absolute alcohol taxation has been introduced and discussed in Canada and there have also been bills introduced here in Maine, California and Illinois as well as discussion in the House Ways & Means Committee and Senate Finance Committee. It will no doubt be introduced in many states in 1983 and possibly at the Federal level.

A diverse number of groups have advocated taxing all alcohol beverages based on the ethanol contained in each beverage type. This approach represents a radical shift from traditional taxing policy in this country and most nations in the world and would result in drastically higher taxes on malt beverages and wine.

For example, if the tax on beer at the federal level was based on an absolute concept, instead of 65 cents per case it would be $2.22 a case, over three times as high. Similarly, in California the excise tax per case would go from 9 cents to 42 cents or an increase of 367 percent. In Oklahoma, which presently has a very high tax rate on beer, it would still go up by 16 percent. You can imagine the impact upon the industry and more importantly, the consumers when mark-ups through the distribution chain are added.

Another of the items ranking high on the list of problems and priorities in the states is that of alcohol abuse including underage drinking and drunk driving. This critical problem of alcohol abuse ties in with the excise tax threats as it is not difficult to imagine that when a problem is recognized and revenue subsequently required, where the legislatives will be looking.

In this regard, a report issued last year by the U.S. Department of Health and Human Services attributes a cost of close to $50 billion in 1977 to alcohol abuse in this country. These costs include both direct and indirect costs of the problem such as accidents, mortality, hospital care and so on.

Another factor in this regard is what has been happening to the minimum drinking ages throughout the states. This has been receiving a great deal of media attention lately and we thought you might be interested in just what the trends have been.

In the past 10 years, the states have flip flopped on minimum drinking ages. As the chart (next page) indicates, in 1970, there were some 40 states in which the minimum age for beer drinking was 21 and over. (In some instances this material has been interpreted as there are differences for on premise and off premise drinking ages.) Nevertheless, in 1970 approximately 83% of the beer consumed was in states which had the 21 and over age requirement.

Contrast this with the situation in 1975. At that time

BEST AVAILABLE COPY

there were 12 states in which the requirement was 21 and over and the share of the total market represented was down to 27%. Finally, let us look at the situation last year, as many of the states recently passed laws which have raised the drinking age back to 21. In 1981, there were 16 states which required 21 and the share was almost up to 40% of the total beer consumed in this country.

Thus, there have been some rather dramatic changes in this country in the past ten years in the social and political views on the minimum drinking age. Most observers would agree the pressures in the coming years will be toward raising rather than lowering.

deposit laws

Another of the issues which state wholesaler executives foresee as critical in coming years is mandatory deposits. Indeed, within the next two weeks, voters in four states; California, Washington, Arizona, and Colorado will be deciding this issue at the polls. If those states elect to go that route then in the coming year approximately 35% of the beer sold in the U.S. will be under mandatory deposit conditions. If none of those states approve that measure then the figure next year will be 18%.

The difficulties of handling shipping and selling beer under a mandatory deposit system are well known. A few years ago NBWA, through Midwest Research Institute, prepared a detailed study relating to wholesaler costs for such a system. Other studies have shown the cost impacts on brewers and retailers as well. Clearly, at this point the evidence is unquestionable that the consumer will pay more for beer under a forced deposit system than with a freedom of choice. Both cost studies and price studies in the marketplace have shown this to be so historically.

As a result of the price increases to consumers and loss of convenience, one would expect either a sales decline or interruption in trends and this also has been the case.

consumption

What has happened to beer consumption in the states which have enacted such laws?

The year off trend for Oregon is 1973 which is the first full year after the bottle bill which went into effect in October, 1972. Similarly, in Vermont the law went into effect in September, 1973 and in 1974 and 1975 per capita fell and did not regain its former level until 1976.

In Maine and Michigan the same trends have occurred. Maine's deposit law went into effect on Jan. 1, 1978 and that year per capita fell over 6% from the previous year. In Maine, the per capita never has achieved the same level as prior to the bottle law. In Michigan, per capita consumption in 1981 stands at about the same level it was in 1973 and '74 which was five or six years prior to the effective date of the law.

(Continued on page 20)

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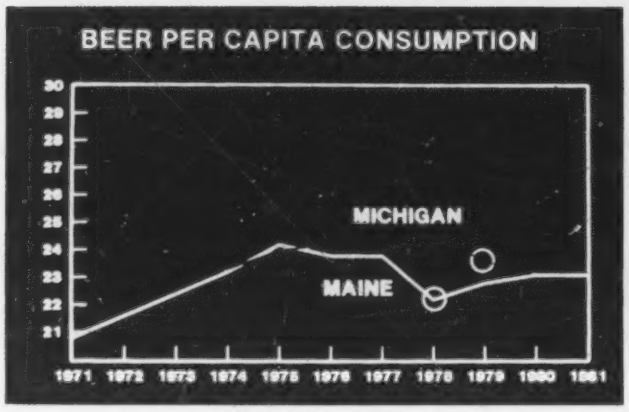
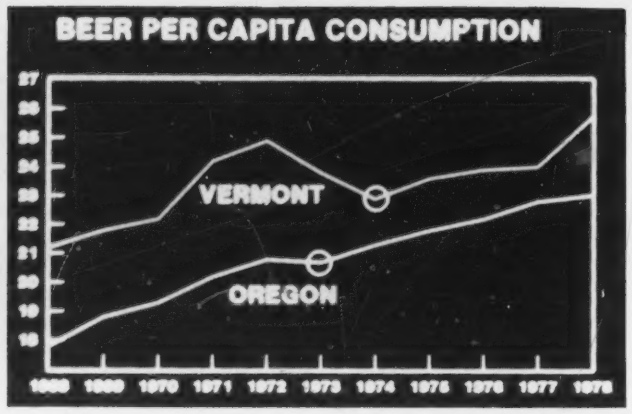
Katz

(Continued from page 18)

Finally, in regard to all of those areas of concern to brewers, wholesalers, retailers and suppliers, let me describe some of the coordinated efforts presently underway to combat unfair and unjust legislation.

The name of the concept initiated by Henry B. King and the USBA is the Positive Posture Program and one key element of it is the collection and distribution of information reflecting brewers, wholesalers and suppliers economic contributions. The USBA through the accounting firm of Touche Ross and Co. has been collecting data from individual brewers and suppliers and preparing industry wide totals for various states.





The questionnaires are compiled by Touche Ross and only the industry figures are provided to USBA which in turn utilizes them in displaying the impacts of the brewing industry on a state level. USBA has been working jointly with a number of the beer wholesaler associations in this venture. Paul de Nio of the California Beer Wholesalers has completed a detailed survey of his members as has Mike Hopkins in Texas. Bill Spencer in Colorado has a survey underway and Pat Laughlin in Michigan is planning one also, as is John Huddleson. USBA Washington will be contacting every state beer wholesaler association to offer assistance and services in collecting critical economic data and other information. The association is also surveying the brewers and suppliers.

A few of the facts developed for California can serve as an example of the material USBA and the wholesaler association have been able to put together. This data reflects the cooperation of both USBA brewer members and non members, and, of course, the vital inputs of the California Beer Wholesalers Association.

Some of the facts contained in the brochure being currently published in California are as follows: Brewers: 4300 employees, $175 million in wages, salaries and benefits, $445 million spent in packaging, $314 million in taxes. For beer wholesalers the figures are 10,000 employees, $252 million in wages, salaries and benefits, $84 million in capital expenditures, $9 million in advertising/ad printing, and $26 million in rent.

USBA will be working with every state in regard to beer wholesaler economic contributions and feel certain this industry wide survey will generate both enthusiasm and the vital information necessary for the difficult legislative times we all are facing.

'82 sales results

In closing, let's briefly review the current sales situation in the beer industry and among its chief competition. It has been a poor year; through the first three quarters we estimate beer shipments to be flat. 1982 will be the weakest year the industry has had since 1960 or the late 1950's and I believe it is a reflection of both the economy and weather during 1982.

The main competition for the beer dollar—spirits, wine, and soft drinks—are also performing relatively poorly. Spirits sales in 1982 will likely be off by 1 to 2% while wine will be up only 2 or 3% as will soft drinks. Domestic beer sales will be between -0.5% and plus 0.5% at the yearend and imports up by maybe 5%. Next year should improve in comparison but, only a 1% to 1.5% increase is likely in beer nationally. Of equal, if not more, importance is the fact that there will be continued disparity between various states and regions share of this small increase as the economic conditions and improvments vary to a great degree.

We noted earlier that survival for many in the industry is the key word today. The tools available however, are not minimal in not only surviving but more positively in expanding and growing. I am speaking of the support of your suppliers in not only the merchandising tools necessary but the management techniques as well. All these things become essential in both day to day operations and in the long range planning.

Katz

About the author

Philip C. Katz has been with USBA since 1957 starting with the group as a statistician. He has academic degrees from the Wharton School of Finance and Commerce and New York University. He is also a member of several professional groups, including the Society of Government Economists.

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Caffeine free

(Continued from page 1)

tries. And it can be safely predicted that there will be at least one more major entry sometime during the first quarter this year.

In spite of this flurry of activity, caffeine free colas are really not new. Vess had an entry several years ago and Canada Dry's Sport Cola never really got off the ground.

What has happened in the marketplace to suddenly create a viable soft drink segment? What are some realistic numbers reflective of market potential for these drinks? Can this segment successfully increase the total soft drink market? Which version — regular or diet — appears to offer the most potential?

target markets

Most of the major marketers initially targeted their product to appeal to the consumer profile of the low-calorie beverage consumer. The expressed opinions were that the health-conscious drinker who wants to reduce caloric intake would be the one to whom these drinks could most likely be attractive.

Introducing Pepper Free last November, Bob Hannegan, president, Dr Pepper USA, said: "We opted for a Pepper Free without sugar or caffeine for a very good marketing reason: People who prefer a caffeine-free beverage tend to fit the sugar-free consumer profile, namely women, aged 25-49 and those who are health and weight-conscious."

Furthermore, Dr Pepper's research also revealed that only one in six carbonated beverage drinkers are "very concerned" about caffeine.

"But that minority — that 16⅔% — is our target for Pepper Free. They are the people who otherwise might just drop out of the soft drink market or choose a competitive beverage, a soft drink or a caffeine free coffee," Hannegan said.

Pinpointing this group further, the research also showed that men were much less concerned about caffeine than women, and older persons had less concern. Most concerned of all, with as much as 76% preference for caffeine free, were the regular users of diet drinks.

Elaborating on the Pepper Free research, Frank Phillips, research and quality control manager, said: "We wanted to know as much as possible, of course, about attitudes. And so we asked those people who could discriminate between the caffeine and noncaffeine beverages to indicate their preference based on several product attributes: sweetness, carbonation, aftertaste, mouth feel, refreshment, overall preference.

" . . . We also tried a label test, with a sample of 200 Dr Pepper drinkers. We gave each of them two bottles of caffeine free Dr Pepper, identical except for the label. One carried a 'caffeine free' label, the other did not. Each respondent was asked to compare the two samples on the five product attributes and on overall preference.

"The results were very encouraging. Almost half—47%—preferred caffeine free. In one group the caffeine free product was actually preferred by 63%—two out of three.

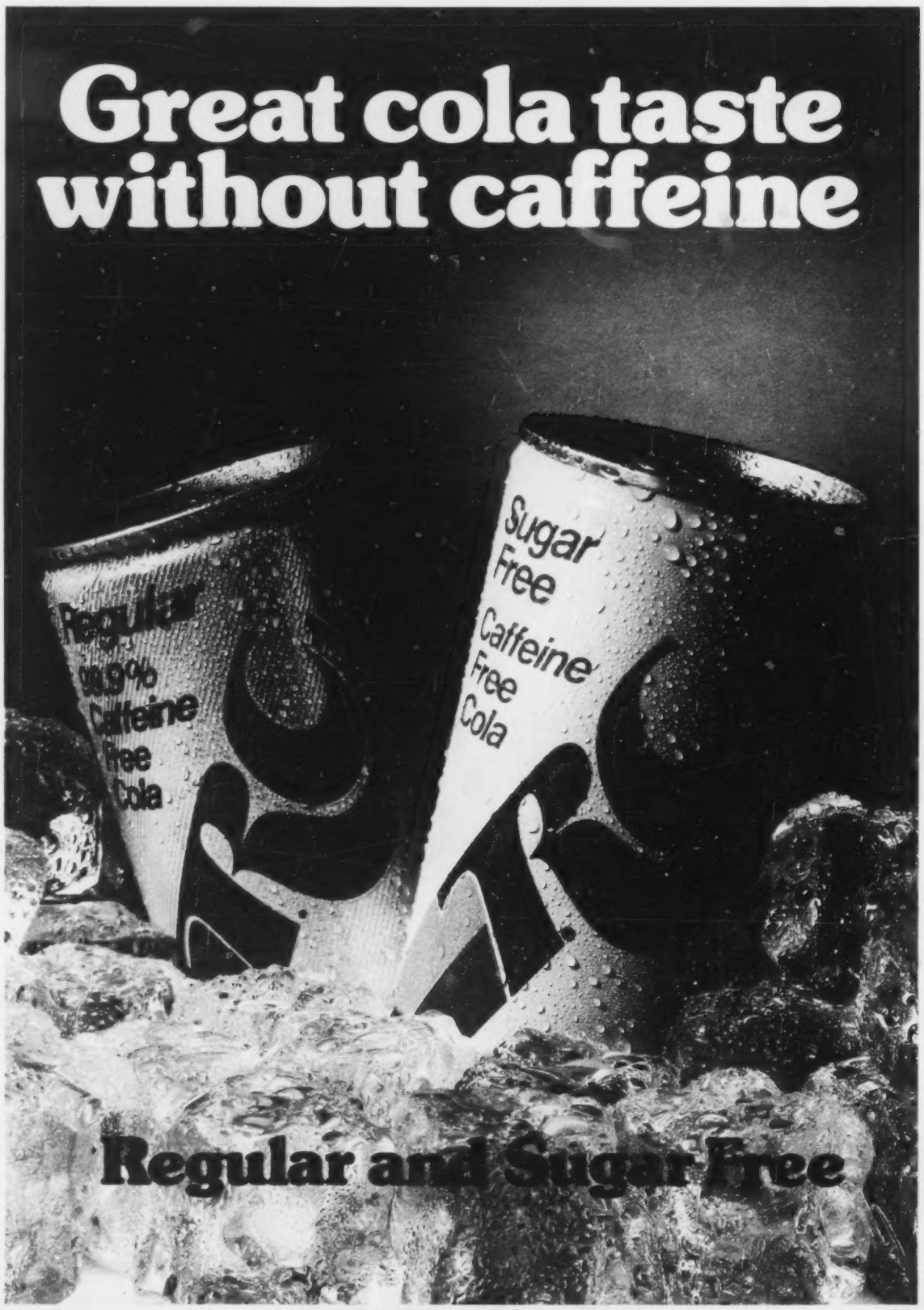
Unlike Dr Pepper, the other three firms have introduced both regular and low-calorie versions. (RC's came about a year after the initial sugar free product.) Except in RC's case, the regular products are outselling the diet beverages.

Interestingly, only the first wave of RC 100 ads were clearly identifiable as being targeted with the low calorie beverage drinker. The "we ain't got nothing" commercials implemented this concept in message and visually.

(Continued on page 27)

SINGER: Regular. And sugar free.
BOY: RC One Hundred.
Our taste's one hundred percent. You'll wonder where caffeine went.
PROFESSOR: RC One Hundred. Regular and Sugar Free!

New RC 100 adds tie both sugar-sweetened and diet versions together.



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BI Week

(Continued from page 1)

anti-competitive and in violation of anti-trust law. Joyce also noted that RC products account for 38% of its sales, approximately $24.5 million in the New York area. RC's official response is "no comment" since the matter is in litigation. At presstime, it was understood that the firm's lawyers were preparing to respond to the Joyce suit. Royal Crown was also sued by Seven Up Co. last month when the firm cancelled its franchise in the Houston market. In this instance, lawyers were also reportedly preparing an "appropriate response."

• Royal Crown Bottlers Association, meanwhile, has scheduled a board meeting for January 26. Although the lawsuit/franchise subject was not on the agenda, association officials told *Beverage Industry* that it could (and probably would) be brought up under "new business." Among options the group could take is a decision to become a party to the proceedings.

• NSDA, meanwhile, has hired outside legal counsel to prepare a legal memorandum discussing all aspects of the legal issues. Included will be an assessment of the impact on the industry structure should various phrases be deleted from existing franchise contracts. NSDA's action was taken at the request of the executive board.

• At presstime, the U.S. Federal Court had ruled against two of the Procter and Gamble requests in the lawsuit involving Coca-Cola, P&G, and Coca-Cola Mideast. The Court refused to transfer jurisdiction or throw out the suit. Still pending was a request to have other interested parties become part of the proceedings. The "discovery" proceedings are taking place. The court earlier granted Coke's request for "expedited discovery," granting the firm's lawyers access to documents pertaining to the acquistion.

• Early indications are that Dr Pepper will shortly move its Pepper Free caffeine-free soft drink into additional markets. Firm also is reportedly considering a regular, sugar (or HFCS) sweetened caffeine-free version.

• Preliminary per capita data from *BI's* John Maxwell shows soft drinks have gained up to 40.1 gal. Bottled water, wine per capitas are also up; all other products are down, powders remaining constant. Details in an upcoming issue.

• Pittsburgh Brewing continues its profitable ways. Company—one of few regionals to fare well in '82—had record sales of $45.8 million; net income (including tax net operating loss carry-forward) was approximately $3.3 million.

• Barq's announces a 14.2% case sales increase in '82. Volume "now approaching" 19.1 million cases, according to John Oudt, board chairman. Latest franchise signed in November with Cincinnati Coca-Cola.

• Choice Vend has shipped first vendors since coming under new ownership. Pepsi-Cola Bottling Co., Princeton, WV, an RKO operated franchise, accepted an 88-unit truckload order, first of several planned by the firm.

• New plastic closure developed by Dairy Cap, Brooklyn, NY. Firm has patented a one-piece unit with mechanical tamper-indicative ring. Details in an upcoming issue.

• G. Heileman Brewing Co., La Crosse, WI, has reached the one billion dollar sales market for the first time in its history according to Russell G. Cleary, president.

Caffeine free

(Continued from page 21)

The firm's new "How'd they do it?" focuses on a full range of consumers, wedding both the low-calorie and regular version and gets the taste message across with an "our taste's one hundred percent" message.

Pepsi goes straight to the taste message, emphasizing "The taste is positively Pepsi and caffeine free" throughout. Targeted audience, according to a company spokesperson, is the "family gatekeeper, women aged 18-49 who make the majority of the buying decisions in the home."

"These people, as heads of households, are health conscious and may want to cut down on their family's consumption of caffeine.

"Our research shows that 68% of the consumers would be interested in a caffeine free product if there was no taste tradeoff."

The official stressed the

(Continued on page 33)

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Caffeine free

(Continued from page 27)

fact that taste is important because many people have been turned off because of the taste of decaffeinated coffee.

Pepsi officials have also been among the most optimistic when it comes to market potential. Norm Sylvester, estimates that caffeine free colas could eventually reach 5% to 15% of the market.

Although most security analysts disagree, BI's John Maxwell is revising his opinion! "The market may be better than anticipated. The flavors which are positioning themselves as caffeine free are growing so the demand may be greater than any of us thought."

Asked to comment specifically on Sylvester's 15% projection, Maxwell said, "... that may turn out to be conservative."

But where did the market come from? Why is it primed now?

Virtually everyone contacted during preparation of this report, agreed that the market probably has existed all along. Witness the sales of decaffeinated coffee. All also agreed that recent government interest in all ingredients and additives has heightened consumer awareness and concern.

These same activities have also been the major factors around the recent growth of seltzers and other sodium free beverages.

market potential

Manny Goldman, soft drink analyst with Sanford C. Bernstein & Co., New York, feels that the caffeine-free segment "will not have an additive effect on overall soft drinks sales." Goldman feels that the real increase in total sales will come with the development of "good-tasting diet drinks" and looks for the use of Aspartame and other non-nutritive sweeteners to provide the punch.

In his November report on the soft drink industry, Goldman also comments on the competition in the segment:

"... RC 100 sugar-free and caffeine-free has been highly successful and the company shows every intention of staunchly defending the product's market position, even at the expense of near-term earnings.

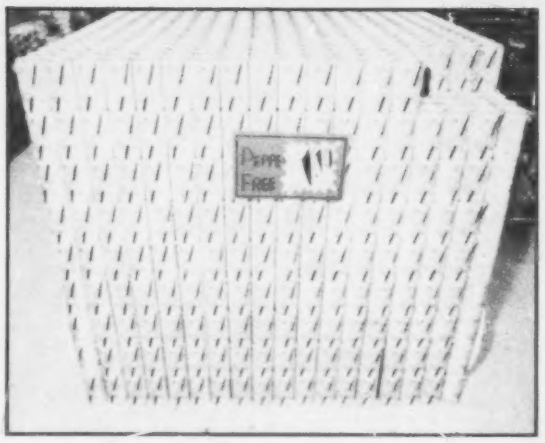
"... however Pepsi appears likely to provide Pepsi Free with an unusually high level of marketing support, especially since a number of its bottlers are clamoring for this new product line.

"And with Pepsi Free's sales likely to reflect the popularity of diet products, company-afforded bottler support is expected to be increasingly directed toward the sugar-free version. Sugar-Free RC 100 should feel the increased pressure and indeed its sales growth is expected to slow significantly."

Goldman feels strongly that the Pepsi Free entry was more in response to the Seven-Up Like debut than to RC 100. Pointing to Miller's success with Lite which resulted in part because other, large brewers were slow in responding, Goldman writes that "Pepsi is wary of Philip Morris."

In its premiere and in official comments, Pepsi officials have meticulously stressed the merits and timing of their product. In the New York

(Continued on page 42)



Pepper Free started rolling out in "heartland pepper country" during the first week in January. At right, the first loads leave the firm's Dallas plant. Above, first displays in the market prominently featured the $1.10 six-pack price.

POSITIVELY A SUCCESS!

Pepsi Free is positively the biggest news in colas today. And no wonder. Consumers were ready for a caffeine-free cola. But only if it had taste. And Pepsi Free's "Positively Pepsi Taste" filled the bill.

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LIQUIDATION–Entire contents of Ortlieb Brewery, Philadelphia. Depalletizer, Climax Uncasers, Meyer Washers, Pasteurizers, Crown Fillers, World Tandems, Alvey Palletizers, Can Track, Conveyor, Compressors, York Verticals,–**PARTS, PIECES OR WHOLE LINE.** Also, Brewing Equipment–Kettles, Tubs, Vessels, Tanks, Mixers, Pumps, Hose Fittings, Electric Panels, Switches, Motors, Parts. **BEST OFFER ON ANYTHING OR EVERYTHING**–Info or complete Inventory List–(215) 574-0717. 1/28

For Sale: Completely remanufactured Standard Knapp equipment. (1) 874 Packer with 830CS Case Feed; (1) 202 Traymore with Kayat Engineering RM-1000 Trayfeed; (1) Model 253 6-Pack Divider. All units carry one year guarantee for parts and labor. Also available: (3) S-K Grids. Contact:

Kayat Engineering Ltd.
(203) 265-3776 TF

FOR SALE: ROUTE SALES CONTROL SYSTEM. Complete and comprehensive route settlement system that's easy to use–**READY TO USE!** Accounts Receivable, Load Sheet processing, vending equipment Accounts Receivable, Sales Reports, Accounts Payable, Payroll and General Ledger. **CONTROL YOUR BUSINESS.** Contact **COMPUTER SYSTEMS, INC.,** P.O. Box 6162, Mobile, Alabama 36606. 205-479-1136. TF

EQUIPMENT FOR SALE–5 World labelers, Crown 60 Head stainless filler, Winterwerb-Streng "Wineta" manual pressure filler, wire-hooder, 2 Ermold labelers, Columbia palletizer, various conveyor and spare parts. **CONTACT: HUDSON VALLEY WINE CO., INC.,** John Lahey Highland, NY. (914) 961-7296. TF

FOR SALE: Norand sprints, route commanders, disk drive, multiport-modem, and chargers. Reasonably priced. Used less than a year. J. W. Phillips & Sons Co., Richmond, Virginia. (804) 648-2846. 1/28

FOR SALE: Rebuilt full bottle & can inspectors. Rebuilt units in stock with full warranty. Licensed to service radioactive sources. Complete service available. INDUSTRIAL SERVICES & SUPPLY CO., INC., 2908 Southway Drive, Memphis, TN 38118. (901) 794-2551. TF

FOR SALE: 60 Spout Meyer Quart Bottle Filler with 10 Head Crowner, also parts for 10 Oz. and 16 Oz. sizes. Immediately available at a most attractive price. Write BI Box 142. 4/8

FOR SALE: Complete late model Bottling Line including Uncaser, Washer, Filler, Electronic Inspectors, Mojonnier Carbo Cooler, Case Packer, Interconnecting Bottle & Case Conveyor. All set up and push button ready to produce 12 oz. thru liter bottles at manufacturer's rated speed 650 BPM to 300 BPM (liters). Offered subject final acceptance by firm's Board of Directors. Principals only. For details write to BI Box 139. 4/22

Complete Bottling line 7 oz. to 2 liter pet. In operation until 12/30/82. Line consists of two Cem 408 fillers, one CEM 28B filler dedicated to 2 liter Pet on every valve. Labelers, 12 wide quart Myer washer, 12 wide pint Myer washer, rinser, case packer, uncaser, Zalkin capper, two 12 head Cem Mixers, Two 5000 Gal. sugar tanks, syrup tanks plus all associated equipment such as parts, conveyors, water treatment, air compressors, switches, etc. Asking $35,000 for everything. Davis Beverage Co., Inc., 1130 S. 19th St., Harrisburg, Pa. 17104 Phone: (717) 234-7056. 1/28

LIKE NEW: Mojonnier Model M72SR Soft Drink Processing System with Flo-Mix Proportioner, CIP, Syrup Pump Module and other Accessories available with (2) Grasso 150 HP and 125 HP Ammonia Compressors and Mojonnier Evaporative Condenser, capacity 270 Tons at 90° Wet Bulb. Write BI Box 137. 4/22

For Sale: 1–1973 GMC 10 Bay (3x3) Aluminum Body, P/S Automatic–with service records, asking $3500; 1–1973 LN Ford 10 Bay (3x3) P/S 5 speed reconditioned engine, asking $4,500; 1–1973 Ford CO700 10 Bay (3x3) P/S 5 speed, good spare, $1700; 2–Remke 14 Bay 3x3 Route Trailer in excellent condition with service records, 1-$3500 and 1-$4000; 1–1973 Ford Tractor, $3500; 1–Meyer 16 Wide Double End 4 Compartment Bottle Washer used 1 year since major overhaul, priced to sell $7500. Contact: Joseph Santangelo, 1 (203) 527-7502 EST 8am-8pm. Delivery possible. 2/11

For Sale: 5000 gallon sugar tank, SK 840 case feed, SK830 case packer, 300 Series Potter Rayfield mixer, 6–28 rebuilt CEM filler, Krones Rotina body labeler, 10,000–16 ounce Open Wood shells, 2500–32 ounce Pocket Wood shells, 1800 cases 12 ounce new Double Cola bottles. Contact Edward Loo, Double Cola & Kist Bottling Co., 642 East Edna Place, Covina, California 91723. (213) 967-2751. 1/28

FOR SALE OR LEASE–New 1980-Model 60-B-420 Miller Hydro Bottle Washer with 4½ centers, complete with unscrambler load table, rotary loader, rotary discharge, 6-stage pre-wash, spare parts. This machine has never been used and is available for immediate shipment. Contact Donn Alspach, Mid-Ohio Coca-Cola, P.O. Box 250, Newark, Ohio. (614) 345-9882. TF

FOR SALE: Stainless Bowl 60 Spout Meyer Can Filler with High Speed Filling Valves, Spool Valves, Seamer with Full Range Levers rated 700-750 CPM on 209/211 dia. cans. Recently rebuilt. For details write BI Box 1411. 4/8

FOR SALE–LATE MODEL BOTTLING EQUIPMENT–28 Spout Crown Cork & Seal Bottling Line. IAC Uncaser Unitwist Rinser. 28 CCS Super Uniblend Two Liter Filler Crown Sure Cool Carb Blend. Alcoa-212-8 Head Capper. Cherry Burrell Syrup Room. Van Gal Palletizer 48-40. Two Years Old. Call Richard Miller, (203) 673-5511. RAM Machinery Corporation, P.O. Box 1199, Burlington, CT 06013.

For Sale: (1) JAGENBERG High-Speed Bottle Labeler-Model UT-24 equipped for the labeling of 32 oz. NR bottles with body and shoulder labels. (1) DOSTAL & LOWEY MP-4 Set-Packer Full Automatic. Packs 4 cases at a time. Has grids to pack different sizes. (1) MEAD BOTTLE MASTER Carton Opener, Model 102. Price negotiable. Contact Colie Rowell, Central Coca-Cola Bottling Co., Inc., 1706 Roseneath Road, Richmond, Virginia, 23230-4493. Phone (804) 359-3759. TF

FOR SALE: Modular design Meyer Custom Dumore Model 404 Hydro Bottle Cleaner with Label Removal Station, splits to quarts (and Liter), liquid caustic supply header, fresh water inside and outside Final Rinse Station. Write to VP, c/o BI Box 138.

FOR SALE–HI-SPEED S.S. FILLERS, Late model–immediately available; MEYER 84V 700 16 oz. BPM; SEITZ 48V 150 2L. BPM; MEYER 40/8 95 2L. BPM; MEYER 60/10–CROWN 72/15. Buckner Equip. Co., Inc., P.O. Box 171, Glencoe, IL 60022. (312) 835-3444. TF

FOR SALE: 65 Valve Meyer New Style Bottle Filler. Model 65-15-15 with Meyer Crowner and Alcoa Capper, with R11 Filling Valves suitable for pulpy and non-pulpy products, monobloc design (Filler/Crowner/Capper), equipped for 10 Oz. and Tall Liter Bottles. For details write BI Box 136. 4/22

FOR SALE: **Labeler:** World Tandem 1,000 SNCB-15937, parts for 32 oz. and 2 Liter plastic-body and shoulder. New 1974. **Labeler:** World Tandem SNCB-15584, parts for 32 oz. body and shoulder. Approx. 17 years old. **Filler:** Meyer Dumore 24 spout. 30 years old. Completely rebuilt in 1976. 7 oz. to 64 oz. (all valves). **Washer:** Meyer Dumore 12 wide Quart Model 412-OT SN B1874, June 1948. CONTACT: Harry Fuller, Seven-Up Bottling, Binghamton, N.Y., (607) 729-6202. 1/28

FOR SALE: From our Tampa Headquarters: (2) Filtec FT-12 Level Detectors, (1) A.B. Dick Video Jet Printer, (2) High Stack Empty Can Depalletizers. For individual items or complete Canning Lines, "Come to Headquarters" B & B Equipment Corp., Box 1530, Tampa, Fla. 33601.

FOR SALE: Complete bottle line, Crown UB-50 STD 1968 filler, Washer–Miller model 50 (1972) with Evans Heater, everything to go with it, P/R 3400 GPH–72" water treating, many misc. syrup tanks. Would like to work out a package deal–will sacrifice. Dan Pecora, P.O. Box 628, Columbus, GA 31902. (404) 687-1240. 1/28

Two complete Meyer 50 bottling lines can be seen in operation. One line may be sold in components. P.O. Box 4146, Springfield, IL 62708. 217-522-8845. 3/25

Caffeine free

(Continued from page 33)

City press conference, introducing the product, John Sculley, Pepsi-Cola president, did say that he felt it did not make any difference which firm was first–a side comment which could refer to either Seven-Up or Royal Crown–he felt the firm to enter the market with the most marketing muscle would eventually have the top brand.

Regardless, several of the Pepsi Free test markets dovetailed Seven-Up Like markets and since the mid-fall test, the firm has moved rapidly to expand markets. By January, Pepsi Free was in almost 50% of the U.S., second only to RC 100. Plans call for the product to have national distribution by the end of '83.

Others don't necessarily disagree with Goldman's Philip Morris scenario but point to other factors. Bonnie Cook, senior soft drink analyst with Robinson Humphrey, Atlanta, is one.

"I think what happened is that Pepsi found out in some of its test markets that Pepsi Free sales gains were coming primarily from Coca-Cola products.

" . . . that could also account for the speed with which the company moved to get the product into key markets. If that is true and at the same time Diet Coke is cannibalizing the Coke brand, then Pepsi's food store sales share should shortly show some important gains."

First Boston beverage analyst Martin Romm also questions whether or not caffeine-free colas will add to the market. Writing in his fall '82 comment, Romm said: "We have reservations about how much this product segmentation will add to incremental volume. . . . We also wonder whether the consumer is, in fact, concerned about caffeine . . ."

Romm discusses several projections for this market, but says that he feels that it will end up "closer to the 10% than to the 15% level of penetration." His projection includes only colas and peppers, those products which have traditionally contained caffeine.

While four of the top five firms have been hustling their brands to market, Coca-Cola has been "considering our alternatives," according to Brian Dyson, Coca-Cola USA president.

That hasn't stopped conjecturing what Big Red will do.

Reformulation of Tab is the most commonly suggested response. Here, for example, is Romm's reasoning:

"If the inclination that the consumer of these beverages will be more similar to the diet consumer is correct, then it is likely that Coke will reformulate its Tab product to meet the market competition of Pepsi and 7Up, . . . Coke can (not) avoid addressing this segment . . .

"Coke's dilemma is an interesting one. It appears to have established a new beachhead in the diet segment with Diet Coke, but there is evidence from test markets that it is coming at the expense of Tab and brand Coke. If Coke allows this to continue, it risks erosion of the Tab trademark after years of building its identity. In contrast to Pepsi, which has opted to use its flagship brand name to enter the caffeine segment, Coke has a chance of putting Tab into the caffeine-free category and putting proper distance between its trademarks to minimize cannibalization."

Assuming that Tab would retain its following after a reformulation, Coca-Cola could then claim leadership in the entire caffeine-free segment (200 million plus cases vs. RC 100's 30 million).

However, according to numerous trade sources, this is not the only option–and not necessarily the best one–which Coke is considering. With the introduction of Diet Coke, Coca-Cola has segmented its share of the low calorie market. The two products are totally different in tests and are targeted at two different audiences.

If the diet soft drink consumer is the logical target for the caffeine-free drinks, then Coke may need two caffeine free beverages. Will the company then offer a caffeine-free Coke brand? How about a "Pibb-Free"?

Company officials insist that no decision is imminent, but that all alternatives are being carefully weighed. Key Coca-Cola bottlers say that they expect a caffeine free entry this spring. Also circulating is a rumor that the firm will time its announcement to coincide with the national Pepsi bottlers meeting scheduled for March.

At this stage in the development of this segment, it is difficult, if not impossible to determine how important and how viable the new caffeine free market may be. Conclusions and judgments are being made on almost a market by market basis and the reactions in each market vary.

RC 100 has been in the market longer than any other product and its initial sales gains have slowed somewhat, but it is still growing and accounts for approximately 13% of that firm's total business.

Both Pepsi and Seven-Up products have only been in the market some six months and a great deal of "filling the pipe line" is still taking place and that will continue as new entries are launched this year.

Production by brand

(Mil. bbls.)

	1977	1978	1979	1980	1981	1982E
Anheuser-Busch						
Budweiser	25.0	27.0	30.0	33.9	37.8	39.6
Michelob	6.2	7.5	8.0	8.5	8.5	8.5
Busch	3.4	3.6	3.2	2.8	3.1	3.3
Michelob Light	—	1.0	2.0	2.6	3.2	3.2
Bud Light	—	—	—	—	—	3.1
Natural Light	1.9	2.5	3.0	2.4	1.9	1.3
Other	—	—	—	—	—	—
Total	**36.5**	**41.6**	**46.2**	**50.2**	**54.5**	**59.0**
Miller						
High Life	16.5	20.8	23.6	22.7	22.3	20.5
Lite	7.5	9.5	11.2	13.2	16.3	17.5
Lowenbrau	0.2	1.0	0.9	1.2	1.5	1.5
Other	—	—	0.1	0.1	0.3	0.4
Total	**24.2**	**31.3**	**35.8**	**37.2**	**40.3**	**39.9**
Stroh						
Stroh				5.7	5.5	5.4
Schaefer				3.6	3.0	2.6
Stroh Light				0.5	0.6	0.7
Goebel					—	0.4
Total	**10.2**	**9.6**	**9.8**	**9.1**	**9.1**	
Old Milwaukee	3.6	3.7	4.2	5.1	6.0	
Schlitz	13.0	10.5	7.5	5.7	4.2	
Schlitz Malt	1.8	1.9	2.3	2.5	2.6	
Old Milwaukee Light	—	—	—	—	0.8	
Schlitz Light	0.8	0.6	0.4	0.3	0.4	
Erlanger	—	—	0.4	0.6	0.1	
Other	0.4	0.1	0.2	0.2	0.1	
Total	**19.6**	**16.8**	**15.0**	**14.3**	**14.2**	
Grand Total	29.8	26.4	24.8	23.4	23.3	
Heilman*						
Old Style (Including Old Style Light and Export)				4.8	5.4	5.6
Blatz (Including Blatz Light)				1.3	1.5	1.7
Carling Black Label (Including Light)				.8	1.0	1.6
Colt 45				1.1	1.2	1.5
Schmidt/Raiher				1.6	1.7	2.0
All Others				3.4	3.2	2.1
Total				**13.0**	**14.0**	**14.5**
Pabst						
Pabst	12.7	12.3	11.2	9.6	8.8	
Red, White & Blue	0.5	0.9	1.2	1.3	1.0	
Olde English (Malt)	0.5	0.7	1.0	1.1	0.9	
Blitz	0.3	0.5	0.8	0.5	0.6	
Pabst Light	0.6	0.7	0.6	0.5	0.5	
Jacob Best	—	—	—	—	0.4	
Andeker	—	—	—	0.1	0.1	
Other	0.8	—	0.3	0.3	0.2	
Total	**15.4**	**15.1**	**15.1**	**13.4**	**12.5**	
Coors						
Coors	12.1	11.3	11.4	11.2	9.1	
Coors Light	0.5	1.6	2.4	2.0	2.8	
Others	—	—	—	0.2	0.1	
Total	**12.6**	**12.9**	**13.8**	**13.3**	**12.0**	

*Revised

Source: Lehman Brothers Kuhn Loeb Research

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January 28, 1983

'82 Beer sales

(Continued from page 1)

and the growth of noncaloric soft drink both are dramatic examples of this shift in lifestyles and its impact on consumption," he comments.

A growing awareness of alcohol abuse is also adversely affecting consumption. Drunken driving laws are being tightened and Alcoholics Anonymous membership is at its highest enrollment level ever.

Pointing to high levels of taxation in foreign countries (some alcoholic beverages now sell at the U.S. equivalent of $50 in Scandinavian countries), Maxwell anticipates that the U.S. government will find this an excellent way to balance the budget " . . . and we will see further increases in excise taxes on wine, beer, liquor and gas.

"Higher prices will definitely affect sales unless there is an immediate dramatic shift in economic conditions," Maxwell comments.

The beer industry also has an added problem of having a small consumption base. About 25% of the drinking

(Continued on page 34)

Simmons Market Data:
Index of Beer Drinkers

Total Adults	100
Males	131
Females	72
18-24	121
25-34	120
35-44	108
45-54	95
55-64	80
65 or Older	59

The top ten beers: Schlitz drops, Old Milwaukee jumps

There were no major shifts among the top six beer brands in 1982. Budweiser remains in the number one position and has strengthened its lead moving from a market share of 20.6% to 21.6%.

Miller High Life, number two, dropped both market share and consumption to 11.2% and 20.5 million gallons. Miller Lite gained a .5 point market share to 9.5%.

The race for the number four slot — between incumbent Coors and Pabst — has tightened. Last year there was a full percentage point — four million barrels — between the two. In 1982 Coors' share lead is by only one-tenth of a percentage point, approximately 300,000 barrels.

Michelob, number six, is not far behind with its 4.6% market share and 8.5 million barrel volume.

Old Milwaukee jumped from tenth to seventh on the rankings, moving from a 2.7% market share to 3.2% in 1982. Schlitz, number seven in 1981 replaced Old Milwaukee in the number 10 position.

Estimated malt liquor sales volume

(000 bbls.)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982E
Schlitz (Stroh)	700	900	1,100	1,300	1,500	1,700	1,800	1,900	2,150	2,500	2,600
Colt 45 (Heileman)	1,050	1,100	1,200	1,300	1,400	1,400	1,350	1,000	1,100	1,200	1,500
Olde English (Pabst)	—	—	—	—	—	—	500	900	1,000	800	900
Champale (Iroquois)	285	385	350	400	400	700	800	900	900	650	600
Mickey's (Heileman)	—	—	—	—	—	—	—	—	—	400	500
Country Club (Pearl)	700	710	600	550	500	450	400	300	200	200	—
Magnum (Philip Morris)	—	—	80	*	—	—	—	—	—	200	300
Malt Duck (Heileman)	—	—	50	80	100	110	125	100	100	75	100
Bud Malt (Anheuser-Busch)	200	80	*	—	—	—	—	—	—	—	—
900 (Pearl)	—	—	—	—	—	—	—	—	—	50	—
Subtotal	**2,935**	**3,090**	**3,380**	**3,630**	**4,000**	**4,360**	**4,975**	**4,900**	**5,250**	**6,075**	**6,500**
All Others	250	110	120	120	170	200	50	50	50	50	50
Total	**3,185**	**3,285**	**3,500**	**3,750**	**4,170**	**4,560**	**5,025**	**5,000**	**5,300**	**6,125**	**6,550**

Source: Lehman Brothers Kuhn Loeb Research

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Brewers' estimated market shares

	1979	1980	1981	1982E
Anheuser-Busch	26.8%	28.2%	30.0%	32.3%
Miller	20.8	20.9	22.2	21.8
Stroh	15.3	13.9	12.9	12.8
Heileman	6.6	7.5	7.7	7.9
Pabst	8.8	8.5	7.4	6.8
Coors	7.5	7.8	7.3	6.6
Olympia	3.5	3.4	3.1	2.8
Genesee	2.0	2.0	2.0	1.9
Schmidt	2.2	2.0	1.6	1.8
General	1.7	1.4	1.2	1.0
Pittsburgh	0.4	0.6	0.5	0.5
Others* (Net)	4.4	3.8	4.1	3.8
Total	100.0%	100.0%	100.0%	100.0%

*Includes imports and excludes tax-free.

Source: Lehman Brothers Kuhn Loeb Research

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Leading imported beer brands

(Mil. gallons)

	1979	Pct. of Market	1980	Pct. of Market	1981	Pct. of Market	1980-81 Change
Heineken	59.1	42.9%	53.5	37.8%	62.9	38.9%	17.6%
Molson	29.3	21.3	31.7	22.4	32.0	19.8	0.9
Becks	5.6	4.1	7.3	5.2	10.0	6.2	37.0
Labatt	6.6	4.8	6.9	4.9	9.0	5.6	30.4
Moosehead	2.0	1.5	5.6	4.0	7.9	4.9	41.1
Dos Equis	7.0	5.1	7.0	4.9	7.0	4.3	—
Carling O'Keefe	—	—	—	—	4.5	2.8	—
Guinness Harp	1.6	1.1	1.7	1.2	3.9	2.4	129.4
Tecate	—	—	—	—	3.8	2.3	—
St. Pauli Girl	2.0	1.5	2.4	1.7	3.0	1.9	25.0
Carta Blanca	1.8	1.3	2.1	1.5	2.3	1.4	9.5
Grolsch	1.4	1.0	1.6	1.1	1.8	1.1	12.5
Foster	1.4	1.0	1.6	1.1	1.7	1.1	6.3
Kirin	—	—	—	—	1.4	0.9	—
Kronenbourg	—	—	0.7	0.5	1.2	0.7	71.4
San Miguel	—	—	—	—	1.1	0.7	—
Bass Ale	0.8	1.1	0.9	1.1	1.0	0.6	(37.5)
Tsingtao	0.2	0.1	0.4	0.3	0.8	0.5	100.0
Amstel Light	—	—	0.5	0.3	0.7	0.4	40.0
Bohemian	—	—	—	—	0.7	0.4	—
Kalback	—	—	—	—	0.1	0.1	—
Others	18.2	13.2	17.0	12.0	5.0	3.0	(58.3)
Total	137.7	100.0%	141.6	100.0%	161.8	100.0%	14.3%

Source: Lehman Brothers Kuhn Loeb Research

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'82 Beer sales

(Continued from page 31)

population consumes 70% to 80% of the product. These consumers are primarily in the teens through early 30s. Considering the fact that this segment is declining and that the "war baby boom" group is now in the 35-36 age range, the industry is also facing a demographic challenge.

Growth in the light segment reflects virtually all of these factors. These low-caloric beers have growth from a 2% market share in 1975 to a 17.4% share in 1982.

Meanwhile popular-priced brews have declined from 43% in 1975 to 20.7% in 1982 and are projected to decline to 10% by 1985. Premium and super premium had a combined market share of 51% in 1975. By 1982 that share had grown to 55.5%.

Market share of import continues to rise, but at a very slow rate. 1982's estimated share is estimated to be 3.1%.

Malt beverage imports by country

(000 bbls.)

	January-August			Full year							
	1981	1982	Change	1977	1978	1979	change	1980	Change	1981	Change
Netherlands	1,441	1,570	9.0%	1,030	1,538	1,995	29.7%	1,792	(10.2)%	2,104	17.4%
Canada	1,146	1,151	0.4	760	996	1,292	29.7	1,532	18.6	1,672	9.1
Germany	372	474	27.4	327	390	459	17.7	475	3.5	587	23.6
Mexico	253	226	(10.6)	170	205	294	43.4	329	11.9	350	6.4
U.K., Ireland	117	129	10.3	92	135	124	(8.1)	162	30.6	179	10.5
Australia	37	28	(24.3)	37	51	73	43.1	65	(11.0)	63	(3.1)
Japan	29	41	41.4	24	30	39	30.0	40	2.6	49	22.5
Philippines	21	24	14.3	27	28	30	7.1	23	(23.3)	38	65.2
Denmark	13	16	23.1	15	24	22	(8.3)	25	13.6	19	(24.0)
Norway	9	13	44.4	20	22	14	(36.4)	16	14.3	14	(12.5)
Other	80	138	72.5	44	52	82	57.7	111	35.4	145	30.6
Total	3,518	3,810	8.3%	2,546	3,471	4,424	27.5%	4,570	3.3%	5,220	14.2%

Source: Lehman Brothers Kuhn Loeb Research

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Brewers' production

(Mil. bbls.)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982E	Year-end Capacity 1982E
Anheuser-Busch	24.3	26.6	29.9(g)	34.1	35.2	29.1	36.6	41.6	46.2	50.2	54.5	59.0	65.0
Miller	5.1	5.4(d)	6.9	9.1	12.9	18.4	24.2	31.3	35.8	37.2	40.3	39.9	44.0
Stroh (a)	26.0	28.6	31.5	32.8(h)	34.3	35.1	32.9	29.8	26.4	24.8	23.4	23.3	30.0
Heileman (b)	9.4	9.9	10.5	9.5	10.0	9.6	10.6	10.5	11.3	13.3	14.0	14.5	17.0
Pabst	11.8	12.5	13.1	14.3	15.7	17.0	16.0	15.4	15.1(k)	15.1	13.5	12.5	17.5
Coors	8.5	9.8	10.9	12.3	11.9	13.5	12.8	12.6	12.9	13.8	13.3	12.0	15.0
Olympia (c)	4.2	4.4	4.7	5.3	6.6	7.3	6.8	6.7	6.0	6.1	5.7	5.2	9.0
Genesee	1.6	1.7	1.9	2.1	2.4	2.5	2.8	3.0	3.4	3.6	3.6	3.4	4.0
Schmidt	3.2	3.2	3.5	3.5	3.3	3.5	3.5(i)	3.8	3.8	3.6	3.2	3.2	4.3
General	5.1	6.2(e)	6.0	5.8	6.1	4.2	4.2	3.5(j)	3.0	2.6	2.1	1.8	8.8
Pittsburgh	1.0	0.8(f)	0.9	0.9	0.9	0.8	0.7	0.6	0.7	1.0	0.9(f)	1.0	1.2
All Others	29.7	24.8	20.5	17.9	11.2	11.2	8.1	6.5	9.9	5.2	4.7	3.6	5.1
Subtotal	129.9	133.9	140.3	147.6	150.5	152.2	159.2	165.3	170.7	176.5	179.2	179.4	220.9
Less Tax-free Exports and Military	2.5	2.1	1.8	2.1	1.9	1.8	2.3	2.6	2.6	3.1	2.5	2.4	
Subtotal	127.4	131.8	138.5	145.5	148.6	150.4	156.9	162.7	168.1	173.4	176.7	177.0	
Imports	0.9	0.9	1.1	1.4	1.7	2.4	2.5	3.5	4.4	4.6	5.2	5.7	
Consumption (Total)	128.3	132.7	139.6	146.9	150.3	152.8	157.1	165.7	172.5	178.0	181.9	182.7	

(a) Schaefer & Stroh combined for all years; Schlitz is now part of Stroh.
(b) Includes Carling National for all periods except first three months of 1979.
(c) Includes certain assets of Hamm's acquired March 1975, and pro forma for Lone Star for all years. Pabst now owns 49% of the stock.
(d) Pro forma for purchase of Meister Brau as of July 1972.
(e) Pro forma for purchase of Ballantine as of March 31, 1974.
(f) Strikes in August-September 1972 and May 1981.
(g) Impacted by strike.
(h) A 40-day strike in April-May had an adverse effect on sales of Stroh.
(i) Includes Rheingold as of December; Rheingold's previous volume included in All Others.
(j) Pro forma for Pearl acquisition in January 1978.
(k) Includes Blitz.
Source: Lehman Brothers Kuhn Loeb Research

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